financial exposure to each member/counterparty is in compliance with the Bank's credit policies and Finance Agency regulations. Unsecured credit exposure to any counterparty is generally limited by the credit quality and capital level of the counterparty and by the capital level of the Bank. Financial monitoring reports evaluating each member/counterparty's financial condition are produced and reviewed by the Bank's Credit Risk Committee on an annual basis or more often if circumstances warrant. In general, credit risk is measured through consideration of the probability of default, the exposure at the time of default and the loss-given default. The expected loss for a given credit is determined by the product of these three components. The Board has established appropriate policies and limits regarding counterparty and investment credit risk, asset classification and the allowance for credit losses.

Credit and Counterparty Risk – Total Credit Products and Collateral

Total Credit Products. The Bank manages the credit risk on a member's exposure on Total Credit Products (TCP), which includes member loans, letters of credit, loan commitments, MPF credit enhancement obligations and other credit product exposure by monitoring the financial condition of borrowers and by requiring all borrowers, and, at times, their affiliates to pledge sufficient eligible collateral for all member indebtedness. The Bank establishes a maximum borrowing capacity for each member based on collateral weightings applied to qualifying collateral as described in the Bank's Member Products Policy. Details regarding this Policy and related changes which went into effect during 2008 are available in the "Loan Products" discussion in Item 1. Business in the Bank's 2008 Annual Report filed on Form 10-K. Changes that became effective in 2009 are discussed in the "Overview" section of Item 2. Management's Discussion and Analysis in this report filed on Form 10-Q. Management believes that it has adequate policies and procedures in place to effectively manage credit risk related to member loans and letters of credit and other indebtedness. These credit and collateral policies balance the Bank's dual goals of meeting members' needs as a reliable source of liquidity and limiting credit loss by adjusting the credit and collateral terms in response to deterioration in creditworthiness. The Bank has never experienced a credit loss on a member loan or letter of credit.

The following table presents the Bank's top ten borrowers with respect to their TCP at June 30, 2009 and the corresponding December 31, 2008 balances.

	June 30, 2009		December 31, 2008	
(dollars in millions)	**Total Credit Products**	**Percent of Total**	Total Credit Products	Percent of Total
Sovereign Bank, PA	**$ 11,322.3**	**20.6**	$ 13,815.4	19.9
Ally Bank, UT(1)	**7,379.0**	**13.4**	9,303.0	13.4
TD Bank, National Association, DE	**7,128.9**	**13.0**	5,624.4	8.1
PNC Bank, National Association, PA	**6,750.9**	**12.3**	8,800.9	12.6
ING Bank, FSB, DE(2)	**2,563.0**	**4.7**	2,563.0	3.7
Citizens Bank of Pennsylvania, PA	**2,085.9**	**3.8**	2,627.1	3.8
Citicorp Trust Bank, FSB, DE	**1,350.0**	**2.5**	2,317.0	3.3
Fulton Bank, PA	**877.0**	**1.6**	814.1	1.2
National Penn Bank, PA	**842.0**	**1.5**	954.8	1.4
Northwest Savings Bank, PA	**817.2**	**1.5**	981.8	1.4
	41,116.2	**74.9**	47,801.5	68.7
Other borrowers	**13,789.7**	**25.1**	21,768.1	31.3
Total TCP outstanding	**$ 54,905.9**	**100.0**	$ 69,569.6	100.0

Note:

(1) Formerly known as GMAC Bank. For Bank membership purposes, principal place of business is Horsham, PA.
(2) This borrower had an officer or director who served on the Bank's Board as of June 30, 2009.

Of the top ten borrowing members in terms of TCP presented above, the total exposure of eight of those ten members was primarily due to outstanding loans to members balances at June 30, 2009. Of the top ten above, only one had no outstanding loan balances at June 30, 2009. As presented below, at both June 30, 2009 and December 31, 2008, the aggregate top ten borrowing members had a ratio of eligible collateral to TCP (collateralization ratio) in

excess of 200%. In addition, the collateralization ratio was in excess of 250% for the aggregate of all borrowing members at both June 30, 2009 and December 31, 2008.

Member Loan Concentration Risk. The Bank's loan portfolio is concentrated in commercial banks and thrift institutions. At June 30, 2009, the Bank had a concentration of loans outstanding to its ten largest borrowers totaling $32.1 billion, or 72.7%, of total loans outstanding. Average par balances to these borrowers for the six months ended June 30, 2009 was $36.7 billion, or 72.4%, of total average loans outstanding. During the second quarter of 2009, the maximum outstanding balance to any one borrower was $11.4 billion. The loans made by the Bank to these borrowers are secured by collateral with an estimated value, after collateral weightings, in excess of the book value of the loans. Therefore, the Bank does not presently expect to incur any losses on these loans. Because of the Bank's loan concentrations, the Bank has implemented specific credit and collateral review procedures for these members. In addition, the Bank analyzes the implication for its financial management and profitability if it were to lose one or more of these members.

The following table lists the Bank's top ten borrowers as of June 30, 2009, and their respective December 31, 2008 loan balances and percentage of the total loan portfolio.

	June 30, 2009		December 31, 2008	
(balances at par; dollars in millions)	**Loan Balance**	**Percent of total**	Loan Balance	Percent of total
Sovereign Bank, PA	**$ 10,195.0**	**23.1**	$ 12,657.2	21.2
Ally Bank, UT(1)	**7,379.0**	**16.7**	9,303.0	15.6
PNC Bank, National Association, PA	**6,750.4**	**15.3**	8,800.4	14.8
ING Bank, FSB, DE(2)	**2,563.0**	**5.8**	2,563.0	4.3
Citicorp Trust Bank, FSB, DE	**1,350.0**	**3.1**	2,317.0	3.9
National Penn Bank, PA	**837.0**	**1.9**	949.8	1.6
Northwest Savings Bank, PA	**817.2**	**1.9**	971.8	1.6
Fulton Bank, PA	**804.0**	**1.8**	814.1	1.4
Susquehanna Bank, PA	**769.4**	**1.7**	784.4	1.3
Wilmington Savings Fund Society FSB, DE	**636.8**	**1.4**	816.0	1.4
	32,101.8	**72.7**	39,976.7	67.1
Other borrowers	**12,030.4**	**27.3**	19,588.7	32.9
Total loans to members	**$ 44,132.2**	**100.0**	$ 59,565.4	100.0

Note:

(1) Formerly known as GMAC Bank. For Bank membership purposes, principal place of business is Horsham, PA.
(2) This borrower had an officer or director who served on the Bank's Board as of June 30, 2009.

During 2008, there were several actions taken by the U.S. Treasury, the Federal Reserve and the FDIC, that were intended to stimulate the economy and reverse the illiquidity in the credit and housing markets. These actions included the establishment of the TARP by the U.S. Treasury. As of July 31, 2009, holding companies for seven of the Bank's top ten borrowers listed above received funds under this program. Additionally, the Federal Reserve took a series of unprecedented actions that have made it more attractive for eligible financial institutions to borrow directly from the Federal Reserve Banks. The Federal Reserve also created the Commercial Paper Funding Facility to provide a liquidity backstop for U.S. issuers of commercial paper and the FDIC created its TLGP supporting unsecured debt. Lastly, the FDIC recently approved a regulation increasing the FDIC assessment on FDIC-insured financial institutions with outstanding FHLBank loans and other secured liabilities above a specified level. The Bank has started to see an impact from these actions in the form of reduced borrowings and/or paydowns by some of its members, including several of its top ten borrowers, during the first six months of 2009 and expects this trend to continue.

As shown above, as of June 30, 2009, three of the Bank's top ten borrowers had outstanding balances exceeding 10% of the Bank's total loans to members portfolio. On October 13, 2008, Sovereign Bancorp, the holding company of the Bank's largest member and borrower, Sovereign Bank, entered into an agreement to be acquired by Banco Santander, S.A. The holding company acquisition was completed on January 30, 2009. During 2008, GMAC

Financial Services, the holding company for the Bank's member GMAC Bank (effective May 15, 2009, known as Ally Bank), announced that its application to become a bank holding company was approved by the Federal Reserve and GMAC Bank received approval from the Utah Department of Financial Institutions to convert to a state-chartered bank. On June 1, 2009, General Motors (GM) filed for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court in New York's Southern District. Ally Bank (formerly known as GMAC Bank) is a member and one of the top ten borrowers of the Bank. Ally Bank and its parent, GMAC, LLC Bank Holding Company, are not part of the GM bankruptcy although GM holds a minority ownership interest in GMAC, LLC. On July 10, 2009, GM exited from bankruptcy protection. Also in 2008, PNC Financial Services Group, Inc., the holding company for the Bank's member PNC Bank, N.A., completed its acquisition of National City Corporation. The Bank cannot predict the impact on its outstanding loans to Sovereign Bank, Ally Bank and PNC Bank, N.A. as a result of these acquisitions and restructuring actions.

Letters of Credit. The following table presents the Bank's total outstanding letters of credit as of June 30, 2009 and December 31, 2008. As noted below, the majority of the balance was due to public unit deposit letters of credit, which collateralize deposits that exceed FDIC insurance thresholds. Effective in late 2008, the Bank began to offer tax-exempt letters of credit and anticipates that this product will increase letters of credit outstanding balances in 2009. The letter of credit product is collateralized under the same procedures and guidelines that apply to loans to members.

(dollars in millions)	**June 30, 2009**	December 31, 2008
Letters of Credit:		
Public unit deposit letters of credit	**$10,634.5**	$ 9,872.3
Other	**129.1**	130.0
Total	**$10,763.6**	$ 10,002.3
Year of final expiration	**2010**	2010

Collateral Policies and Practices. All members are required to maintain collateral to secure their TCP. TCP outstanding includes loans, letters of credit, loan commitments, MPF credit enhancement obligations and other obligations to the Bank. Collateral eligible to secure TCP includes: (1) one-to-four family and multifamily mortgage loans and securities representing an interest in such mortgages; (2) securities issued, insured or guaranteed by the U.S. government or any Federal agency; (3) cash or deposits held by the Bank; and (4) certain other collateral that is real estate-related, provided that the collateral has a readily ascertainable value and that the Bank can perfect a security interest in it. Residential mortgage loans are a significant form of collateral for TCP. The Bank perfects its security interest in loan collateral by completing a UCC-1 filing for each member or affiliate pledgor pledging loans and also sometimes by taking possession directly or through a third party custodian.

Effective May 4, 2009, the Bank revised its policies, and no longer accepts subprime mortgages as qualifying collateral. This change did not cause any member to become collateral deficient. Under limited circumstances, the Bank still accepts nontraditional mortgage loans to be pledged as collateral. As of June 30, 2009, the Bank did hold security interests in both subprime and nontraditional residential mortgage loans pledged as collateral. However, the amount of pledged subprime mortgage loan collateral was immaterial with respect to total pledged collateral at quarter-end. At June 30, 2009, less than 10% of the Bank's total pledged collateral was nontraditional mortgage loans and was primarily attributed to a few larger borrowers. Given the higher inherent risk related to nontraditional mortgage loans, the Bank takes additional steps regarding the review and acceptance of these loans as collateral. Members are required to identify nontraditional mortgage loans; these loans are typically excluded as eligible collateral. However, members may request that nontraditional mortgage loan collateral be included as eligible collateral, subject to an on-site review of the loans, the member's processes and procedures for originating and servicing the loans, the quality of loan data and a review of the member's loan underwriting. The Bank requires specific loan level characteristic reporting on the loans and assigns more conservative collateral weightings to nontraditional collateral on a case-by-case basis.

Under implementation of the GLB Act, the Bank is allowed to expand eligible collateral for many of its members. Members that qualify as CFIs can pledge small-business, small-farm, and small-agribusiness loans as collateral for loans from the Bank. At June 30, 2009, loans to CFIs and housing associates secured with both eligible standard and expanded collateral represented approximately $4.5 billion, or 10.3% of total par value of loans outstanding. Eligible expanded collateral represented 8.6% of total eligible collateral for these loans. However, these loans were collateralized by sufficient levels of non-CFI collateral. Beginning in July 2009, the Bank implemented the new CFI definition, as defined in the Housing Act.

The following tables summarize total eligible collateral values, after collateral weighting, by type under both blanket lien and specific collateral pledge agreements as of June 30, 2009 and December 31, 2008. The Bank held collateral with an eligible collateral value in excess of the book value of the loans on a borrower-by-borrower basis at both June 30, 2009 and December 31, 2008. The amount of excess collateral by individual borrowers, however, varies significantly.

(dollars in millions)	**June 30, 2009**		December 31, 2008	
All member borrowers	**Amount**	**Percent**	Amount	Percent
One-to-four single family residential mortgage loans	**$ 66,553.0**	**45.4**	$ 73,455.8	42.0
High quality investment securities(1)	**22,407.3**	**15.3**	46,004.1	26.3
Other real-estate related collateral/ community financial institution eligible collateral	**51,340.6**	**35.1**	49,450.3	28.2
Multi-family residential mortgage loans	**6,159.2**	**4.2**	6,099.7	3.5
Total eligible collateral value	**$146,460.1**	**100.0**	$175,009.9	100.0
Total TCP outstanding	**$ 54,905.9**		$ 69,569.6	
Collateralization ratio (eligible collateral value to TCP outstanding)	**266.7%**		251.6%	

(dollars in millions)	**June 30, 2009**		December 31, 2008	
Ten largest member borrowers	**Amount**	**Percent**	Amount	Percent
One-to-four single family residential mortgage loans	**$43,658.9**	**51.7**	$ 49,815.8	43.5
High quality investment securities(1)	**9,468.5**	**11.2**	32,835.1	28.6
Other real-estate related collateral	**26,891.8**	**31.8**	27,612.4	24.1
Multi-family residential mortgage loans	**4,445.9**	**5.3**	4,306.3	3.8
Total eligible collateral value	**84,465.1**	**100.0**	$114,569.6	100.0
Total TCP outstanding	**$41,116.2**		$ 51,314.8	
Collateralization ratio (eligible collateral value to TCP outstanding)	**205.4%**		223.3%	

Note:

(1) High quality investment securities are defined as U.S. Treasury and U.S. Agency securities, GSE MBS and private label MBS with a credit rating of AAA. Effective July 20, 2009, the Bank requires delivery of these securities. Upon delivery, these securities are valued daily and are subject to weekly ratings reviews.

The decrease in the collateralization ratio for the ten largest member borrowers noted above was due primarily to the decrease in collateral of one large member, as well as an overall reduction in total eligible collateral value due to the Bank's change in collateral weightings and its measurement and tracking of member collateral through the new recently-implemented collateral system and the QCR process.

The following table provides information regarding TCP extended to member and nonmember borrowers with either a blanket lien or specific collateral pledge agreement, in full listing or possession status as of June 30, 2009 and December 31, 2008, along with corresponding eligible collateral values.

	June 30, 2009			December 31, 2008		
(dollars in millions)	**Number of Borrowers**	**TCP**	**Collateral Held**	Number of Borrowers	TCP	Collateral Held
Listing-specific pledge-collateral	**9**	**$ 178.5**	**$ 264.3**	10	$ 4,482.0	$ 5,695.9
Possession-collateral	**52**	**8,417.7**	**10,296.1**	35	23,679.6	26,969.8

TCP outstanding for the nine borrowing members noted in the table above with listing-specific pledge-collateral agreements (four of which had outstanding borrowings and two of which were former members merged out of district with credit products still outstanding) at June 30, 2009 totaled $178.5 million, or 0.3%, of total TCP. TCP outstanding for the remaining 233 borrowing members with blanket lien collateral pledge agreements at June 30, 2009, totaled $54.7 billion, or 99.7%, of total TCP. Of these 233 borrowing members, 52 members were in delivered collateral status, as noted in the table above, and accounted for $8.4 billion, or 15.3%, of TCP. The remaining 181 members were in undelivered collateral status and accounted for $46.5 billion, or 84.7%, of TCP resulting from paydowns of loans outstanding in first quarter 2009. The decrease in balances related to listing-specific agreements was primarily due to one member's decline in TCP. The decrease in balances related to possession-collateral agreements was primarily due to a member being released from this requirement.

Effective July 20, 2009, several collateral policy changes became effective for the Bank's members. First, the Bank now requires delivery of all securities pledged as collateral. This requirement further protects its security interest and provides protection for both the Bank and its members. Second, the Bank now accepts TLGP debt owned by a member as eligible collateral. This collateral will be subject to the same lending value assigned to U.S. agency securities. Lastly, the Bank began to prudently accept private label MBS rated AA for certain members with high credit ratings, as determined by the Bank. These securities will be collateral weighted at 50% for blanket lien agreements and 40% for specific pledge agreements.

Additional detailed information on the Bank's collateral policies and practices is provided in the Bank's 2008 Annual Report filed on Form 10-K in the "Loan Products" discussion in Item 1. Business and in the "Risk Management" section in Item 7. Management's Discussion and Analysis.

Credit and Counterparty Risk – Investments

The Bank is also subject to credit risk on investments consisting of money market investments and investment securities. At June 30, 2009, the Bank's carrying value plus accrued interest of investments issued by entities other than the U.S. Government, Federal agencies or GSEs was $12.2 billion. This amount declined by $0.2 billion from the December 31, 2008 balance of $12.4 billion of credit exposure to such counterparties.

Investment External Credit Ratings. The following tables present the Bank's investment carrying values, plus accrued interest, as of June 30, 2009 and December 31, 2008 based on the lowest rating from the credit rating

agencies. Carrying values for held-to-maturity represent amortized cost after adjustment for noncredit-related OTTI recognized in other comprehensive loss.

	June 30, 2009(1)(2)							
(in millions)	AAA	AA	A	BBB	BB	B	CCC	Total
Money market investments:								
Interest-earning deposits	$ 8,661.4	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,661.4
Federal funds sold	-	-	500.0	-	-	-	-	500.0
Total money market investments	8,661.4	-	500.0	-	-	-	-	9,161.4
Investment securities:								
Certificates of deposit	-	2,601.8	1,952.9	-	-	-	-	4,554.7
Treasury bills	678.6	-	-	-	-	-	-	678.6
TLGP investments	250.2	-	-	-	-	-	-	250.2
GSE securities	188.6	-	-	-	-	-	-	188.6
State and local agency obligations	8.9	495.8	-	127.1	-	-	-	631.8
MBS issued by Federal agencies	634.5	-	-	-	-	-	-	634.5
MBS issued by GSEs:								
Fannie Mae	380.3	-	-	-	-	-	-	380.3
Freddie Mac	1,191.6	-	-	-	-	-	-	1,191.6
MBS issued by private label issuers	3,005.3	630.5	584.2	654.9	949.0	519.1	464.5	6,807.5
Total investments	$14,999.4	$3,728.1	$3,037.1	$782.0	$949.0	$519.1	$464.5	$24,479.2

	December 31, 2008(1)(2)							
(in millions)	AAA	AA	A	BBB	BB	B	CCC	Total
Money market investments:								
Interest-earning deposits	$ 5,101.6	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,101.6
Federal funds sold	-	400.0	850.0	-	-	-	-	1,250.0
Total money market investments	5,101.6	400.0	850.0	-	-	-	-	6,351.6
Investment securities:								
Certificates of deposit	-	2,059.8	1,155.5	-	-	-	-	3,215.3
GSE securities	960.5	-	-	-	-	-	-	960.5
State and local agency obligations	10.4	504.4	-	126.6	-	-	-	641.4
MBS issued by Federal agencies	269.2	-	-	-	-	-	-	269.2
MBS issued by GSEs:								
Fannie Mae	427.6	-	-	-	-	-	-	427.6
Freddie Mac	1,434.8	-	-	-	-	-	-	1,434.8
MBS issued by private label issuers	6,646.1	481.7	294.5	189.1	603.8	209.2	134.7	8,559.1
Total investments	$14,850.2	$3,445.9	$2,300.0	$315.7	$603.8	$209.2	$134.7	$21,859.5

Notes:

(1) Short-term credit ratings are used when long-term credit ratings are not available. Credit rating agency changes subsequent to June 30, 2009, are described in detail below.

(2) Various deposits not held as investments as well as mutual fund equity investments held by the Bank through a Rabbi trust to offset deferred compensation arrangements which are not generally assigned a credit rating are excluded from the tables above.

The Bank also manages credit risk based on an internal credit rating system. For purposes of determining the internal credit rating, the Bank measures credit exposure through a process which includes internal credit review and various external factors, including the placement on negative watch by one or more NRSROs. In all cases, the Bank's assigned internal credit rating will never be higher than the lowest external credit rating. The incorporation of negative credit watch into the credit rating analysis of an investment typically translates into a downgrade of one credit rating level from the external rating.

As of June 30, 2009, there were credit rating agency actions affecting a total of 43 private label MBS portfolio resulting in $2.8 billion of downgrades of at least one credit rating level since December 31, 2008, reflected in the tables above.

As of August 7, 2009, there were 51 subsequent credit rating agency actions taken with respect to $2.4 billion of the Bank's private label MBS portfolio. These actions are summarized in the following tables.

	Downgraded and Stable					
(in millions)	To AA	To A	To BBB	To BB	To B	Other(1)
Private label residential MBS	**$ 256.9**	**$ 153.0**	**$ 231.4**	**$ 107.8**	**$ 642.8**	**$ 1,039.7**
HELOCs	**-**	**-**	**-**	**-**	**-**	**9.8**
Total carrying value	**$ 256.9**	**$ 153.0**	**$ 231.4**	**$ 107.8**	**$ 642.8**	**$ 1,049.5**

(1) Includes $620.1 million downgraded to CCC, $326.3 million downgraded to CC, and $103.1 million downgraded to C.

	Downgraded and Negative Watch			
(in millions)	To AA	To A	To BBB	To BB
HELOCs	**$ -**	**$ 5.4**	**$ -**	**$ -**
Total carrying value	**$ -**	**$ 5.4**	**$ -**	**$ -**

(in millions)	Negative Watch/No Downgrade Rated AAA
Private label residential MBS	**$ 4.6**
HELOCs	**-**
Total carrying value	**$ 4.6**

	No Downgrade/Removed Negative Watch	
(in millions)	Rated AAA	Rated CCC
Private label residential MBS	**$ -**	**$ -**
Total carrying value	**$ -**	**$ -**

(in millions)	Downgrade to Existing Rating by Different NRSRO Rated AAA
Private label residential MBS	**$ -**
Total carrying value	**$ -**

Mortgage-Backed Securities. The Bank invests in and is subject to credit risk related to MBS issued by Federal Agencies, GSEs and private label issuers that are directly supported by underlying mortgage loans. The Bank's total MBS portfolio decreased $1.7 billion from December 31, 2008 to June 30, 2009. This decline was primarily due to repayments and total OTTI losses, offset in part by limited purchases of agency MBS.

Private Label MBS. Investments in private label MBS are permitted as long as they are rated AAA at the time of purchase. In April 2007, the Finance Agency directed the Bank to adopt practices consistent with the risk management, underwriting and consumer protection principles of various regulatory pronouncements regarding Alt-A and subprime mortgages that the Bank purchases or which back private label MBS investments. In response, the Board has adopted and implemented stricter policies and risk management practices that set appropriate risk sublimits for credit exposure on Alt-A and subprime MBS.

Although the Bank discontinued the purchase of private label MBS in late 2007, approximately 75% of the Bank's current MBS portfolio was issued by private label issuers. The Bank generally focused its private label MBS purchases on credit-enhanced, senior tranches of securities in which the subordinate classes of the securities provide credit support for the senior class of securities. Losses in the underlying loan pool would generally have to exceed the credit support provided by the subordinate classes of securities before the senior class of securities would experience any credit losses.

Participants in the mortgage market often characterize single family loans based upon their overall credit quality at the time of origination, generally considering them to be prime, Alt-A or subprime. There is no universally accepted definition of these segments or classifications. The subprime segment of the mortgage market primarily serves borrowers with poorer credit payment histories and such loans typically have a mix of credit characteristics that indicate a higher likelihood of default and higher loss severities than prime loans. Further, many mortgage participants classify single family loans with credit characteristics that range between prime and subprime categories as Alt-A because these loans have a combination of characteristics of each category or may be underwritten with low or no documentation compared to a full documentation mortgage loan. Industry participants often use this classification principally to describe loans for which the underwriting process has been streamlined in order to reduce the documentation requirements of the borrower.

The following table presents the par value of the private label MBS portfolio by various categories of underlying collateral and by interest rate payment terms. In reporting the Bank's various MBS exposures below and throughout this report, the Bank classifies private label MBS in accordance with the most conservative classification provided by the credit rating agencies at the time of issuance.

Characteristics of Private Label MBS by Type of Collateral

	June 30, 2009			December 31, 2008		
(dollars in millions)	**Fixed Rate**	**Variable Rate**	**Total**	Fixed Rate	Variable Rate	Total
Private label residential MBS:						
Prime	**$ 1,589.5**	**$ 3,746.3**	**$ 5,335.8**	$ 1,877.2	$ 4,267.6	$ 6,144.8
Alt-A	**1,068.2**	**1,309.8**	**2,378.0**	1,164.7	1,409.7	2,574.4
Subprime	**-**	**18.0**	**18.0**	-	20.3	20.3
Total	**2,657.7**	**5,074.1**	**7,731.8**	3,041.9	5,697.6	8,739.5
HELOC:						
Alt-A	**-**	**68.2**	**68.2**	-	72.3	72.3
Total	**-**	**68.2**	**68.2**	-	72.3	72.3
Total private label MBS	**$ 2,657.7**	**$ 5,142.3**	**$ 7,800.0**	$ 3,041.9	$ 5,769.9	$ 8,811.8

Note: The table presented above excludes par balances of $38.3 million and $46.1 million related to the restricted certificates pertaining to the Shared Funding Program at June 30, 2009 and December 31, 2008, respectively. These securities were fixed rate prime private label residential MBS for both periods presented.

Certain MBS securities have a fixed-rate component for a specified period of time, then have a rate reset on a given date. When the rate is reset, the security is then considered to be a variable rate security. Examples of these types of instruments would include securities supported by underling 5/1, 7/1 and 10/1 hybrid adjustable-rate mortgages (ARMs). For purposes of the table above, these securities are all reported as variable-rate, regardless of whether the rate reset date has been hit.

Credit scores are a useful measure for assessing the credit quality of a borrower. Credit scores are numbers reported by credit repositories, based on statistical models, that summarize an individual's credit record and predict the likelihood that a borrower will repay future obligations as expected. FICO® scores, developed by Fair, Isaac and Co., Inc. are the most commonly used credit scores. FICO scores are ranked on a scale of approximately 300 to 850 points. Based on historic statistics, borrowers with higher credit scores are more likely to repay their debts as expected than those with lower scores. Original credit score data for the underlying borrowers was available for approximately 89% and 91% of the mortgage loans comprising the private label MBS portfolio as of June 30, 2009 and December 31, 2008, respectively. Credit score ranges are based on available loan level data applied to the ending par balances of the loans. The averages for the private label MBS portfolio are calculated from the average score for each security weighted by the ending par balance of the loans.

Credit score characteristics of the Bank's total private label MBS portfolio are presented below.

	June 30, 2009	December 31, 2008
Original FICO® score range:		
740 and greater	**43%**	49%
700 to 739	**55%**	49%
660 to 699	**1%**	1%
Less than 660	**1%**	1%
Weighted average original FICO® score	**734**	736

The following table provides the fair value of the private label MBS portfolio as a percentage of the par balance by collateral type as well as year of securitization (vintage). The Bank purchased no private label MBS during 2008 or the first six months of 2009.

Private label residential MBS by Year of Securitization	**June 30, 2009**	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Prime:					
2007	**62.9%**	66.5%	73.3%	86.9%	95.7%
2006	**70.5**	68.9	69.0	85.4	92.5
2005	**80.8**	75.9	75.7	85.6	93.1
2004	**84.3**	82.0	79.6	89.4	96.1
2003 and earlier	**90.0**	87.8	83.0	87.6	92.0
Weighted average of all Prime	**76.0**	75.3	76.0	87.1	94.2
Alt-A:					
2007	**54.5**	56.4	59.3	72.5	88.6
2006	**60.0**	58.4	62.8	76.0	84.7
2005	**70.4**	68.0	67.5	82.1	90.6
2004	**76.2**	72.9	67.6	80.2	82.8
2003 and earlier	**87.7**	88.1	84.9	86.3	86.0
Weighted-average of all Alt-A	**66.2**	65.1	66.0	78.2	86.3
Subprime:					
2003 and earlier	**57.8**	63.3	73.2	83.0	86.2
Weighted average of all Subprime	**57.8**	63.3	73.2	83.0	86.2
HELOC:					
2006	**36.2**	42.3	59.3	81.6	69.0
2005	**56.4**	56.8	41.2	68.0	77.2
2004	**36.3**	38.1	36.7	55.7	58.7
Weighted average of all HELOC	**37.9**	41.1	44.9	65.5	63.7
Weighted-average of total private label MBS	**72.7%**	72.0%	72.8%	84.3%	91.9%

Note: The 2003 prime percentages presented in the table above exclude the impact of the restricted certificates pertaining to the Shared Funding Program.

Earlier this year, legislation was passed by the House allowing for bankruptcy modifications on mortgages of owner-occupied homes, also known as cramdown provisions. Prices on private label MBS that include bankruptcy carve-out language could be affected by legislation that impacts the underlying collateral including any cramdown legislation or mortgage loan modification programs. For further information, see the discussion in “Legislative and Regulatory Developments” in this Management’s Discussion and Analysis in this report filed on Form 10-Q.

Private Label MBS Collateral Statistics. The following tables provide various detailed collateral performance and credit enhancement information for the Bank's private label MBS portfolio by collateral type as of June 30, 2009. The Bank purchased no private label MBS in 2008 or during the first six months of 2009.

	Private Label MBS by Year of Securitization – PRIME[1]					
(dollars in millions)	2007	2006	2005	2004	2003 and earlier	Total
Par by lowest external long-term rating:						
AAA[2]	$ 77.6	$ 252.9	$ 505.0	$ 800.6	$ 722.3	$ 2,358.4
AA	83.2	250.3	73.4	81.6	40.5	529.0
A	-	-	104.7	185.9	49.0	339.6
BBB	353.5	27.5	139.8	33.8	-	554.6
BB	889.4	-	124.5	-	-	1,013.9
B	-	339.3	45.7	-	-	385.0
CCC	155.3	-	-	-	-	155.3
Total	$1,559.0	$ 870.0	$ 993.1	$1,101.9	$ 811.8	$ 5,335.8
Average price	62.9	70.5	80.8	84.3	90.0	76.0
Fair value[2]	$ 980.7	$ 613.5	$ 802.6	$ 928.7	$ 730.7	$ 4,056.2
Amortized cost[2]	1,536.3	859.6	986.5	1,095.8	800.6	5,278.8
Gross unrealized losses	(555.6)	(246.1)	(183.9)	(167.1)	(69.9)	(1,222.6)
Total YTD 2009 OTTI charge taken[3]	(331.9)	(28.7)	(43.3)	-	-	(403.9)
Original credit enhancement	5.9%	5.0%	3.8%	3.7%	5.3%	4.8%
Weighted-average credit enhancement - current	7.0	6.9	5.8	7.6	8.7	7.1
Minimum credit enhancement	3.1	3.4	3.4	-	2.5	-
Collateral delinquency 60 or more days	6.2	6.4	6.4	5.3	2.1	5.5
Monoline financial guarantee	$ -	$ -	$ -	$ -	$ -	$ -

Note:

(1) The table presented above excludes the impact related to the restricted certificates pertaining to the Shared Funding Program, including 2003 vintage par balances of $36.2 million rated AAA and $2.1 million rated AA.

(2) Includes two 2005 vintage reperforming securities and one 2004 vintage reperforming security, the underlying mortgage loans of which are government-guaranteed. The 2005 vintage securities have a par balance of $28.1 million, a fair value of $21.4 million and an amortized cost of $28.1 million. The 2004 vintage security has a par balance of $18.3 million, a fair value of $14.8 million and an amortized cost of $18.3 million.

(3) Represents both the credit and noncredit components of OTTI recorded in the first six months of 2009, excluding cumulative effect adjustment.

(dollars in millions)	Private Label MBS by Year of Securitization - ALT-A 2007	2006	2005	2004	2003 and earlier	Total
Par by lowest external long-term rating:						
AAA	$ -	$ 32.7	$ 48.9	$ 343.7	$ 225.0	$ 650.3
AA	-	-	73.1	-	-	73.1
A	120.0	-	159.8	18.7	-	298.5
BBB	-	98.0	-	45.1	-	143.1
BB	-	174.3	126.8	-	-	301.1
B	-	266.6	-	-	-	266.6
CCC	306.9	338.4	-	-	-	645.3
Total	$ 426.9	$ 910.0	$ 408.6	$ 407.5	$ 225.0	$2,378.0
Average price	54.5	60.0	70.4	76.2	87.7	66.2
Fair value	$ 232.8	$ 546.4	$ 287.7	$ 310.4	$ 197.4	$1,574.7
Amortized cost	404.3	873.3	403.1	408.8	224.2	2,313.7
Gross unrealized losses	(171.5)	(326.9)	(115.4)	(98.4)	(26.8)	(739.0)
Total YTD 2009 OTTI charge taken(3)	(80.9)	(257.0)	(40.0)	-	(1.3)	(379.2)
Original credit enhancement	8.6%	6.6%	5.7%	4.3%	7.0%	6.5%
Weighted-average credit enhancement - current	12.3	9.4	6.9	9.2	13.9	10.0
Minimum credit enhancement	9.8	4.0	5.9	7.0	4.3	4.0
Collateral delinquency 60 or more days	25.4	17.4	8.9	4.6	4.5	14.2
Monoline financial guarantee	$ -	$ -	$ -	$ -	$ -	$ -

Note:

(3) Represents both the credit and noncredit components of OTTI recorded in the first six months of 2009, excluding cumulative effect adjustment.

(dollars in millions)	Private Label MBS by Year of Securitization - SUBPRIME 2007	2006	2005	2004	2003 and earlier	Total
Par by lowest external long-term rating:						
AAA	$ -	$ -	$ -	$ -	$ 11.3	$ 11.3
A	-	-	-	-	3.4	3.4
BBB	-	-	-	-	3.3	3.3
Total	$ -	$ -	$ -	$ -	$ 18.0	$ 18.0
Average price	-	-	-	-	57.8	57.8
Fair value	$ -	$ -	$ -	$ -	$ 10.4	$ 10.4
Amortized cost	-	-	-	-	17.7	17.7
Gross unrealized losses	-	-	-	-	(7.3)	(7.3)
Total YTD 2009 OTTI charge taken(3)	-	-	-	-	(1.9)	(1.9)
Original credit enhancement	-	-	-	-	10.7%	10.7%
Weighted-average credit enhancement - current	-	-	-	-	36.3	36.3
Minimum credit enhancement	-	-	-	-	18.4	18.4
Collateral delinquency 60 or more days	-	-	-	-	27.2	27.2
Monoline financial guarantee	$ -	$ -	$ -	$ -	$ 0.3	$ 0.3

Note:

(3) Represents both the credit and noncredit components of OTTI recorded in the first six months of 2009, excluding cumulative effect adjustment.

(dollars in millions)	Private Label MBS by Year of Securitization - HELOC 2007	2006	2005	2004	2003 and earlier	Total
Par by lowest external long-term rating:						
AAA	$ -	$ -	$ -	$ -	$ -	$ -
AA	-	24.1	5.4	-	-	29.5
BBB	-	-	-	-	-	-
BB	-	-	-	20.3	-	20.3
B	-	-	-	14.4	-	14.4
CCC	-	-	-	4.0	-	4.0
Total	$ -	$ 24.1	$ 5.4	$ 38.7	$ -	$ 68.2
Average price	-	36.2	56.4	36.3	-	37.9
Fair value	$ -	$ 8.8	$ 3.0	$ 14.0	$ -	$ 25.8
Amortized cost	-	24.1	5.4	38.7	-	68.2
Gross unrealized losses	-	(15.3)	(2.4)	(24.7)	-	(42.4)
Total YTD 2009 OTTI charge taken(3)	-	-	-	-	-	-
Original credit enhancement(4)	-	-	3.1%	(0.3)%	-	0.1%
Weighted-average credit enhancement - current	-	1.2	10.6	7.0	-	5.2
Minimum credit enhancement	-	1.2	10.6	3.4	-	1.2
Collateral delinquency 60 or more days	-	2.6	0.4	13.0	-	8.0
Monoline financial guarantee	$ -	$ 24.1	$ 5.4	$ 38.7	$ -	$ 68.2

Note:

(3) Represents both the credit and noncredit components of OTTI recorded in the first six months of 2009, excluding cumulative effect adjustment.

(4) Negative original and average credit support is related to certain home equity loans that rely on over-collateralization, excess spread and bond insurance. Over-collateralization builds up over time and could be negative at the security's origination and over a certain period of time thereafter.

Private Label MBS Issuers and Servicers. The following tables provide further detailed information regarding the issuers and servicers of the Bank's private label MBS portfolio that exceeded 5% of the total as of June 30, 2009. Management actively monitors the credit quality of the portfolio's servicers. For further information on the Bank's MBS servicer risks, see additional discussion in the Item 1A. Risk Factors entitled *"The Bank's financial condition or results of operations may be adversely affected if MBS servicers fail to perform their obligations to service mortgage loans as collateral for MBS."* in the Bank's 2008 Annual Report filed on Form 10-K.

Issuers (in millions, including accrued interest)	Total Carrying Value Plus Accrued Interest	Total Fair Value
J.P. Morgan Chase & Co.	**$ 1,789.5**	**$ 1,423.6**
Lehman Brothers Holdings Inc.	**1,126.5**	**958.2**
Wells Fargo & Co.	**964.9**	**803.3**
Countrywide Financial Corp.	**715.0**	**655.0**
Citigroup Inc.	**428.4**	**387.8**
Other	**1,783.2**	**1,478.9**
Total	**$ 6,807.5**	**$ 5,706.8**

Servicers (in millions)	Total Carrying Value Plus Accrued Interest	Total Fair Value
Wells Fargo Bank NA	**$ 2,654.6**	**$ 2,145.2**
Aurora Loan Services Inc.	**1,100.7**	**932.9**
US Bank	**812.3**	**626.6**
Countrywide Home Loans Servicing LP	**732.4**	**669.8**
Citimortgage Inc.	**373.3**	**332.6**
Other	**1,134.2**	**999.7**
Total	**$ 6,807.5**	**$ 5,706.8**

Private Label MBS Credit Ratings. The following table provides the credit ratings by collateral type as of June 30, 2009.

(dollars in millions) Credit Rating as of June 30, 2009	Par	Amortized Cost(1)	Gross Unrealized Losses	Wtd-Avg Collateral Delinquency
Private label residential MBS:				
Prime:				
AAA	$ **2,358.4**	$ **2,331.6**	$ **(296.8)**	**3.7%**
AA	**529.0**	**524.4**	**(105.9)**	**5.4**
A	**339.6**	**338.6**	**(70.8)**	**8.9**
BBB	**554.6**	**554.4**	**(149.9)**	**5.2**
BB	**1,013.9**	**995.8**	**(400.0)**	**6.5**
B	**385.0**	**381.2**	**(140.4)**	**8.8**
CCC	**155.3**	**152.8**	**(58.8)**	**11.1**
Total Prime	$ **5,335.8**	$ **5,278.8**	$ **(1,222.6)**	**5.5%**
Alt-A:				
AAA	$ **650.3**	$ **649.9**	$ **(120.6)**	**3.7%**
AA	**73.1**	**72.3**	**(17.5)**	**3.6**
A	**298.5**	**293.0**	**(99.7)**	**16.4**
BBB	**143.1**	**138.2**	**(55.0)**	**12.2**
BB	**301.1**	**292.5**	**(105.2)**	**12.5**
B	**266.6**	**257.9**	**(105.5)**	**17.4**
CCC	**645.3**	**609.9**	**(235.5)**	**25.3**
Total Alt-A	$ **2,378.0**	$ **2,313.7**	$ **(739.0)**	**14.2%**
Subprime:				
AAA	$ **11.3**	$ **11.3**	$ **(4.4)**	**27.2%**
A	**3.4**	**3.4**	**(1.3)**	**21.5**
BBB	**3.3**	**3.0**	**(1.6)**	**32.9**
Total Subprime	$ **18.0**	$ **17.7**	$ **(7.3)**	**27.2%**
HELOC:				
AA	$ **29.5**	$ **29.5**	$ **(17.8)**	**2.2%**
BB	**20.3**	**20.3**	**(13.5)**	**14.9**
B	**14.4**	**14.4**	**(8.7)**	**12.0**
CCC	**4.0**	**4.0**	**(2.4)**	**9.5**
Total HELOC	$ **68.2**	$ **68.2**	$ **(42.4)**	**8.0%**

Note: The table presented above excludes par of $38.3 million, amortized cost of $39.2 million, and gross unrealized gains of $0.5 million related to the restricted certificates pertaining to the Shared Funding Program.

(1) Amortized cost includes adjustments made to the cost basis of an investment for accretion and/or amortization, collection of cash, and/or previous OTTI recognized in earnings (less any cumulative effect adjustments recognized in accordance with the transition provisions of FSP 115-2).

The following table provides changes in credit ratings by collateral type updated through August 7, 2009.

	Investment Ratings		Balances as of June 30, 2009	
(dollars in millions)	June 30, 2009	August 7, 2009	Carrying Value	Fair Value
Private label residential MBS	AAA	AA	**$ 256.9**	**$ 217.4**
	AAA	A	**153.0**	**117.7**
	AAA	BBB	**36.6**	**30.1**
	AAA	BB	**91.4**	**78.3**
	AAA	B	**15.8**	**12.6**
	AAA	CCC	**84.3**	**91.2**
	AA	BBB	**194.8**	**140.3**
	A	BB	**16.5**	**6.4**
	A	B	**54.5**	**54.5**
	A	CC	**71.8**	**71.8**
	BBB	B	**277.8**	**186.4**
	BBB	CCC	**50.9**	**50.9**
	BBB	CC	**1.5**	**1.5**
	BB	B	**294.7**	**180.8**
	BB	CCC	**438.8**	**438.8**
	BB	CC	**75.4**	**56.4**
	BB	C	**23.7**	**30.2**
	B	CCC	**36.3**	**36.3**
	B	CC	**64.2**	**64.2**
	CCC	CC	**113.4**	**113.4**
	CCC	C	**79.4**	**79.4**
Total private label residential MBS			**$ 2,431.6**	**$ 2,058.6**
HELOC	AA	A	**$ 5.4**	**$ 3.0**
	BB	CCC	**9.8**	**5.1**
			$ 15.2	**$ 8.1**

Private Label MBS in Unrealized Loss Positions. The following table provides select financial and other statistical information on the portion of the private label MBS portfolio in an unrealized loss position at June 30, 2009.

Private Label MBS in Unrealized Loss Positions(1)

						August 7, 2009			
(dollars in millions)	Par	Amortized Cost	Gross Unrealized Losses(2)	Wtd-Avg Collateral Del Rate %	June 30, 2009 % AAA	% AAA	Current % Inv Grade(3)	% Below Inv Grade	Current % Watchlist
Residential MBS backed by:									
Prime loans:									
First lien	**$5,335.8**	**$ 5,278.8**	**$(1,222.6)**	**5.5%**	**44.2%**	**32.9%**	**27.4%**	**39.7%**	**9.8%**
Alt-A and other:									
Alt-A other	**$2,378.0**	**$ 2,313.7**	**$ (739.0)**	**14.2%**	**27.4%**	**24.5%**	**14.6%**	**60.9%**	**2.1%**
Subprime loans:									
First lien	**$ 18.0**	**$ 17.7**	**$ (7.3)**	**27.2%**	**62.8%**	**62.8%**	**18.6%**	**18.6%**	**43.4%**
HELOC backed by:									
Alt-A and other:									
Alt-A other	**$ 68.2**	**$ 68.2**	**$ (42.4)**	**8.0%**	**-%**	**-%**	**43.3%**	**56.7%**	**43.3%**

Notes:

(1) The table presented above excludes the impact related to the restricted certificates pertaining to the Shared Funding Program in the residential MBS-Prime category, including par balance of $38.3 million, amortized cost of $39.2 million, and gross unrealized gains of $0.5 million.

(2) Gross unrealized gains/(losses) represent the difference between estimated fair value and amortized cost.

(3) Excludes AAA-rated investments.

Monoline Bond Insurers. The Bank's investment securities portfolio includes a limited number of investments which are insured by five monoline bond insurers/guarantors. The bond insurance on these investments generally guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying collateral. The Bank closely monitors the financial condition of these bond insurers.

The insured investment securities represent eleven securities, including eight securities backed by HELOC mortgage loans, one private label MBS backed by subprime loans and two state and local agency obligations. The credit rating of each of the MBS is closely related to the credit rating of the applicable bond insurer and most of these securities did not have stand-alone credit ratings and carry limited or no additional credit enhancement. The Bank analyzes the creditworthiness of the bond insurer and typically assigns to the individual security the higher of the bond insurer's rating or the stand-alone investment rating, if available.

	June 30, 2009		December 31, 2008	
(in millions)	**Private Label MBS**	**State and Local Agency Obligations**	Private Label MBS	State and Local Agency Obligations
AMBAC Assurance Corporation (AMBAC)	**$ 20.7**	**$ -**	$ 22.4	$ -
Financial Guaranty Insurance Co. (FGIC)	**4.0**	**-**	4.4	-
Financial Security Assurance Inc. (FSA)	**24.4**	**-**	25.3	-
MBIA Insurance Corporation (MBIA)	**19.4**	**-**	20.5	127.3
National Public Finance Guarantee Corp. (NPFG)	**-**	**127.3**	-	-
Total	**$ 68.5**	**$ 127.3**	$ 72.6	$ 127.3

In February 2009, MBIA announced the restructuring of its financial guaranty insurance operations. The restructuring involved the transfer from MBIA of all its US municipal insurance operations to a former subsidiary named National Public Finance Guarantee Corp (NPFG). The Bank has confirmed that two state and local agency obligations are now guaranteed by NPFG and its two HELOC MBS remain guaranteed by MBIA.

The following table further details the par value of the Bank's insured private label MBS by collateral type and year of securitization (vintage) as of June 30, 2009.

	AMBAC		FSA		MBIA		FGIC	
(in millions)	Monoline Insurance Coverage	Unrealized Losses	Monoline Insurance Coverage	Unrealized Losses	Monoline Insurance Coverage	Unrealized Losses	Monoline Insurance Coverage	Unrealized Losses
SUBPRIME:								
2003 and earlier	**$ -**	**$ -**	**$ 0.3**	**$ (0.2)**	**$ -**	**$ -**	**$ -**	**$ -**
Total	**$ -**	**$ -**	**$ 0.3**	**$ (0.2)**	**$ -**	**$ -**	**$ -**	**$ -**
HELOC:								
2006	**$ -**	**$ -**	**$ 24.1**	**$ (15.4)**	**$ -**	**$ -**	**$ -**	**$ -**
2005	**5.4**	**(2.4)**	**-**	**-**	**-**	**-**	**-**	**-**
2004	**15.3**	**(10.2)**	**-**	**-**	**19.4**	**(12.0)**	**4.0**	**(2.4)**
Total	**$ 20.7**	**$ (12.6)**	**$ 24.1**	**$ (15.4)**	**$ 19.4**	**$ (12.0)**	**$ 4.0**	**$ (2.4)**

In addition, the Bank had three prime reperforming MBS, the underlying mortgage loans of which are government-guaranteed, with a total par balance of $46.4 million and total fair value of $36.2 million at June 30, 2009. These three securities were all AAA-rated at June 30, 2009.

The following table presents the rating of the Bank's monoline insurers as of June 30, 2009.

	Moody's		S&P		Fitch	
	Credit Rating	Watch	Credit Rating	Watch	Credit Rating	Watch
AMBAC	Ba3	-	BBB	Negative	-	-
FSA	Aa3	Negative	AAA	-	AA+	Negative
MBIA	B3	-	BBB	-	-	-
NPFG	Baa1	-	A	-	-	-
FGIC	-	-	-	-	-	-

Subsequent to June 30, 2009, AMBAC was downgraded from BBB to CC by at least one NRSRO.

Other-Than-Temporary Impairment. Through June 30, 2009, the Bank recognized $69.8 million in combined year-to-date credit-related OTTI charges in earnings related to private label residential MBS, after the Bank determined that it was likely that it would not recover the entire amortized cost of each of these securities. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or a rapid decline in residential real estate values continues, the Bank could experience further reduced yields and/or additional material credit-related OTTI losses on its investment securities.

The Bank evaluates its individual securities portfolio to determine whether any of the investment securities are other-than-temporarily impaired. As part of this process, the Bank considers its intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, the Bank recognizes an OTTI in earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. As of June 30, 2009, the Bank does not intend to sell and it is not more likely than not that the Bank will be required to sell any securities before anticipated recovery of each security's remaining amortized cost basis.

For securities that meet neither of the two conditions above, the Bank performs analysis to determine if any of these securities are at risk for OTTI (i.e., they may incur a credit loss). For agency securities, the Bank reviews the creditworthiness of the issuers of the agency debt securities and the strength of the government-sponsored enterprises' guarantees of the agency MBS. For private label MBS, the Bank actively monitors their credit quality, including for certain private label MBS, the Bank performs a cash flow analysis (discussed below) to determine the Bank's best estimate of expected cash flows. The difference between the present value of the Bank's best estimate of expected cash flows and the amortized cost basis is considered the credit loss and the Bank concludes that an OTTI exists.

If the Bank determines that an OTTI exists, it accounts for the investment security as if it had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the credit-related OTTI recognized in noninterest income. The difference between the new amortized cost basis and the cash flows expected to be collected is accreted into interest income prospectively over the remaining life of the investment security based on the amount and timing of future estimated cash flows. Cash flows expected to be collected represent the cash flows that the Bank is likely to collect after a careful assessment of all available information about each individual security at risk for OTTI, such as various security's characteristics including, but not limited to, the following: the credit rating; the duration and level of the unrealized loss; any credit enhancements or insurance; and certain other collateral-related characteristics such as delinquency rates, the security's performance and a ratio of credit enhancement to expected losses. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment. Beginning in the first quarter of 2009, and continuing into the second quarter of 2009, to ensure consistency in determination of the OTTI for investment securities among all FHLBanks, the FHLBanks used the same key modeling assumptions for purposes of their cash flow analysis. In performing the cash flow analysis for each of these securities, the Bank used two third party models. The first model considered borrower characteristics and the particular attributes of the loans underlying the Bank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model was the forecast of future housing price changes for the relevant states and core-based statistical areas (CBSAs), and were based upon an assessment of the individual housing markets. The term CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the U.S. Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area of 10,000 or more people. The Bank's housing price forecast assumed current-to-trough home price declines ranging from 0% to 20% over the next nine to fifteen months (resulting in peak-to-trough home price declines of up to 51%). Thereafter, home prices are projected to increase 1% in the first year, 3% in the second year and 4% in each subsequent year. The month-by-month projections of future loan performance derived from the first model, which reflect the projected prepayments, defaults and loss severities, were then input into a second model that allocated the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. A table of the significant assumptions used on those securities on which an OTTI was determined to have occurred as of June 30, 2009 is included in Note 5 to the unaudited financial statements included in this report filed on Form 10-Q. These models and assumptions have a significant effect on determining whether any of the investment securities are other-than-temporarily impaired and the reported

fair values of the private label MBS and the income and expense related thereto. The use of different assumptions, as well as changes in market conditions, could result in materially different net income, retained earnings and total capital for the Bank.

As discussed above, the FHLBanks are employing methods to become more consistent in their overall OTTI analysis. To assist in this consistency, during the first quarter of 2009, the Finance Agency issued guidance that required the FHLBanks to develop and utilize FHLBank System-wide modeling assumptions run on a common platform (i.e., a specified third-party risk model and loan data source) to determine OTTI with respect to private label MBS. The guidance was issued based on the Finance Agency's understanding that investors in the consolidated debt of the FHLBanks could better understand and utilize the information in the combined financial reports if it was prepared on a consistent basis. During the second quarter of 2009, the FHLBanks enhanced the overall OTTI process by creating an OTTI Governance Committee that is responsible for reviewing key modeling inputs and methodologies.

Under the guidance, the Bank continued to identify private label MBS it holds that should be subject to a cash flow analysis consistent with GAAP and other regulatory guidance. In addition, the Bank reviewed the modeling assumptions developed by the OTTI Governance Committee for reasonableness. To run the Bank's private label MBS using a common platform, the Bank engaged the FHLBank of Indianapolis to perform the cash flow analysis of private label MBS classified as prime and Alt-A. The Bank engaged the FHLBank of Chicago to perform the cash flow analysis of private label MBS classified as subprime. The FHLBank of San Francisco performed the cash flow analysis of common private label MBS (i.e., those held by two or more FHLBanks). The Bank performed its own OTTI analysis on monoline insured HELOC MBS in a manner consistent with the FHLBank of New York which holds similar instruments. When the Bank performed its OTTI analysis of monoline insured HELOC investments, the Bank excluded the credit enhancement provided by the monoline insurance companies. Even without taking such enhancements into account, no projected cashflow shortfalls were generated in connection with such investments. Therefore, the Bank is not relying on the monoline insurer to recover the amortized cost of its HELOCs.

Based on analyses and reviews of the Bank's private label MBS portfolio, the Bank determined that twenty-eight of its private label MBS were other-than-temporarily impaired at June 30, 2009, because the Bank determined it was likely that it would not recover the entire cost basis of each of these securities. These securities included the seven CUSIPs that had previously been identified as other-than-temporarily impaired at December 31, 2008. For the seven CUSIPs previously identified as other-than-temporarily impaired, the Bank recorded an additional impairment of $26.5 million related to credit loss and an additional impairment of $0.1 million related to noncredit loss factors during the six months ended June 30, 2009. For the twenty-one newly-identified CUSIPs with OTTI, the Bank recorded an impairment of $43.3 million related to credit loss and an impairment of $715.1 million related to noncredit loss factors during the six months ended June 30, 2009.

During second quarter 2009, the Bank had eleven newly other-than-temporarily impaired CUSIPs with impairment of $19.7 million related to credit loss and $424.2 million related to noncredit loss factors. In addition, during second quarter 2009, the Bank had twelve CUSIPs that had been previously identified as other-than-temporarily impaired. The Bank recorded additional impairment of $19.6 million related to credit loss and $3.3 million related to noncredit loss factors.

The Bank's estimated economic loss on securities deemed to be other-than-temporarily impaired was $94.4 million at December 31, 2008; however, the cumulative effect adjustment recorded as a credit loss as of January 1, 2009 was only $10.0 million. This difference was due to (1) the change in accounting for OTTI on January 1, 2009 upon the Bank's adoption of the provisions of FSP 115-2 and (2) the use of a different model by the Bank to calculate the credit loss. Both of these changes were discussed above.

As of June 30, 2009, the Bank transferred private label MBS that had an OTTI recognized during the quarter ended June 30, 2009 from its held-to-maturity portfolio to its available-for-sale portfolio. The Bank believes that the occurrence of a credit loss constitutes evidence of significant decline in the issuer's creditworthiness and transferred certain private label MBS to available-for-sale. The Bank also believes that the transfer increases its flexibility to potentially sell private label MBS that have incurred a credit loss when market conditions improve without tainting the Bank's entire held-to-maturity portfolio. As of June 30, 2009, the private label MBS transferred to

available-for-sale had an amortized cost of $2.0 billion, OTTI recognized in other comprehensive loss of $820.4 million, fair value of $1.2 billion and an unrealized gain of $22.4 million.

The following tables represent the entire private label and HELOC MBS portfolios and any OTTI.

Other-Than-Temporary Impairment of
Private Label and HELOC MBS
by Year of Securitization
At and for the Six Months Ended June 30, 2009

(in millions)	Prime(1)					
Year of Securitization	**Amortized Cost**	**Gross Unrealized Losses(2)**	**Fair Value**	**OTTI related to Credit Losses**	**OTTI Related to Noncredit Losses**	**Total OTTI Losses**
Private label RMBS:						
2008	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
2007	**1,536.3**	**(555.6)**	**980.7**	**(16.6)**	**(315.3)**	**(331.9)**
2006	**859.6**	**(246.1)**	**613.5**	**(0.1)**	**(28.6)**	**(28.7)**
2005	**986.5**	**(183.9)**	**802.6**	**(1.8)**	**(41.5)**	**(43.3)**
2004	**1,095.8**	**(167.1)**	**928.7**	**-**	**-**	**-**
2003 and prior	**800.6**	**(69.9)**	**730.7**	**-**	**-**	**-**
Total	**$ 5,278.8**	**$ (1,222.6)**	**$ 4,056.2**	**$ (18.5)**	**$ (385.4)**	**$ (403.9)**
Total private label RMBS	**$ 5,278.8**	**$ (1,222.6)**	**$ 4,056.2**	**$ (18.5)**	**$ (385.4)**	**$ (403.9)**

Note: The Bank had no prime HELOCs

(in millions)	Alt-A[1]					
Year of Securitization	**Amortized Cost**	**Gross Unrealized Losses[2]**	**Fair Value**	**OTTI related to Credit Losses**	**OTTI Related to Noncredit Losses**	**Total OTTI Losses**
Private label RMBS:						
2008	$ -	$ -	$ -	$ -	$ -	$ -
2007	**404.3**	**(171.5)**	**232.8**	**(17.1)**	**(63.8)**	**(80.9)**
2006	**873.3**	**(326.9)**	**546.4**	**(31.6)**	**(225.4)**	**(257.0)**
2005	**403.1**	**(115.4)**	**287.7**	**(2.3)**	**(37.7)**	**(40.0)**
2004	**408.8**	**(98.4)**	**310.4**	**-**	**-**	**-**
2003 and prior	**224.2**	**(26.8)**	**197.4**	**-**	**(1.3)**	**(1.3)**
Total	**$ 2,313.7**	**$ (739.0)**	**$ 1,574.7**	**$ (51.0)**	**$ (328.2)**	**$ (379.2)**
HELOCs:						
2008	$ -	$ -	$ -	$ -	$ -	$ -
2007	-	-	-	-	-	-
2006	**24.1**	**(15.3)**	**8.8**	**-**	**-**	**-**
2005	**5.4**	**(2.4)**	**3.0**	**-**	**-**	**-**
2004	**38.7**	**(24.7)**	**14.0**	**-**	**-**	**-**
2003 and prior	-	-	-	-	-	-
Total	**$ 68.2**	**$ (42.4)**	**$ 25.8**	**$ -**	**$ -**	**$ -**
Total private label RMBS and HELOCs	**$ 2,381.9**	**$ (781.4)**	**$ 1,600.5**	**$ (51.0)**	**$ (328.2)**	**$ (379.2)**

(in millions)	Subprime[1]					
Year of Securitization	**Amortized Cost**	**Gross Unrealized Losses[2]**	**Fair Value**	**OTTI related to Credit Losses**	**OTTI Related to Noncredit Losses**	**Total OTTI Losses**
Private label RMBS:						
2008	$ -	$ -	$ -	$ -	$ -	$ -
2007	-	-	-	-	-	-
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
2004	-	-	-	-	-	-
2003 and prior	**17.7**	**(7.3)**	**10.4**	**(0.3)**	**(1.6)**	**(1.9)**
Total	**$ 17.7**	**$ (7.3)**	**$ 10.4**	**$ (0.3)**	**$ (1.6)**	**$ (1.9)**
Total private label RMBS	**$ 17.7**	**$ (7.3)**	**$ 10.4**	**$ (0.3)**	**$ (1.6)**	**$ (1.9)**

Notes:

(1) The FHLBanks classify private label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Represents total gross unrealized losses including noncredit related impairment recognized in accumulated other comprehensive loss.

Summary of Other-Than-Temporary Impairments Recorded by Security Type and Duration of Unrealized Losses Prior to Impairment(1)
For the Six Months Ended June 30, 2009

	Noncredit-Related Gross Unrealized Losses(2)			Credit-Related Gross Unrealized Losses(3)		
(in millions)	Less than 12 Months	12 Months or Greater	Total	Less than 12 Months	12 Months or Greater	Total
Held-to-maturity securities:						
Prime:						
Private label RMBS	$ -	$ (30.9)	$ (30.9)	$ -	$ (1.3)	$ (1.3)
Alt-A:						
Private label RMBS	-	(68.4)	(68.4)	-	(6.1)	(6.1)
Total held-to-maturity securities	$ -	$ (99.3)	$ (99.3)	$ -	$ (7.4)	$ (7.4)
Available-for-sale securities:						
Prime:						
Private label RMBS	$ -	$ (354.6)	$ (354.6)	$ -	$ (17.2)	$ (17.2)
Alt-A:						
Private label RMBS	-	(259.7)	(259.7)	-	(44.9)	(44.9)
Subprime:						
Private label RMBS	-	(1.6)	(1.6)	-	(0.3)	(0.3)
Total available-for-sale securities	$ -	$ (615.9)	$ (615.9)	$ -	$ (62.4)	$ (62.4)
Private label MBS total	$ -	$ (715.2)	$ (715.2)	$ -	$ (69.8)	$ (69.8)

Notes:

(1) The FHLBanks classify private label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Noncredit losses were recognized in accumulated other comprehensive loss upon OTTI at June 30, 2009.

(3) Credit losses were recognized in earnings upon OTTI at June 30, 2009.

In its ongoing review, management will continue to evaluate all impaired securities, including those for which charges for OTTI have been recorded. If the performance of the Bank's private label MBS portfolio continues to deteriorate, additional securities in the Bank's held-to-maturity and available-for-sale portfolios could become other-than-temporarily impaired, which could lead to additional significant OTTI charges. At the present time, the Bank cannot estimate the future amount of any additional OTTI charges.

As discussed above, the development of cash flows expected to be collected on private label MBS involves significant judgment with respect to key modeling assumptions. Therefore, the Bank determined that, in addition to the Bank's base case scenario (best estimate), it was appropriate to run another scenario that represented a plausible adverse external assumption (referred to as the stress scenario). The OTTI Governance Committee determined that the stress scenario would have the following modifications to the base case: the current-to-trough housing price forecast will show a decline of five percentage points; the housing price recovery path would show no increase from trough levels through the first year, a 1% increase the second year, a 2% increase the third year, and a 3% per year increase thereafter. See Note 5 to the unaudited financial statements in this report filed on Form 10-Q for base case scenario assumption details.

As of June 30, 2009, the Bank generated cash flow tests on 101 private label MBS CUSIPs in its base case scenario. From that base case, 23 CUSIPs experienced a credit loss of $39.3 million during the second quarter of 2009. The Bank performed the stress scenario discussed above on the same 105 CUSIPs. Using the stress scenario, the Bank's credit loss would have increased $51.7 million, to $91.1 million for the second quarter 2009, as noted in the table below. Under the stress scenario, for the six months ended June 30, 2009, the Bank would have recorded a

credit loss of $121.5 million, compared to $69.8 million in the base case. The majority of the increase resulted from the credit loss increasing on private label MBS already identified as other-than-temporarily impaired. The stress scenario resulted in a credit loss for one CUSIP that was reported as being other-than-temporarily impaired but did not have a credit loss during the second quarter of 2009, two CUSIPs that were not other-than-temporarily impaired under the base scenario, and one CUSIP had a small credit loss in the base case but no credit loss in the stress scenario.

Base Case Scenario Results vs. Stress Scenario Results
For the Three Months Ended June 30, 2009

	Base Case Scenario			Stress Scenario		
(dollars in millions)	Number of CUSIPs	Unpaid Principal Balance	OTTI Credit Loss In Net Income	Number of CUSIPs	Unpaid Principal Balance	OTTI Credit Loss Which Would be In Net Income
Prime	**7**	**$ 909.1**	**$ (17.2)**	**8**	**$1,005.4**	**$ (33.2)**
Alt-A	**15**	**1,197.4**	**(21.8)**	**16**	**1,335.7**	**(57.5)**
Subprime	**1**	**3.3**	**(0.3)**	**1**	**3.3**	**(0.4)**
Total residential MBS	**23**	**$2,109.8**	**$ (39.3)**	**25**	**$2,344.4**	**$ (91.1)**

Credit and Counterparty Risk – Mortgage Loans, BOB Loans and Derivatives

Mortgage Loans. The Bank offers a mortgage loan purchase program as a service to members. The Finance Agency has authorized the Bank to hold mortgage loans under the MPF Program whereby the Bank acquires mortgage loans from participating members in a shared credit risk structure, including the necessary credit enhancement. These assets carry credit enhancements, which give them the approximate equivalent of a AA credit rating, although the credit enhancement is not actually rated. The Bank had net mortgage loan balances of $5.6 billion and $6.2 billion as of June 30, 2009 and December 31, 2008, respectively, after allowance for credit losses of $6.3 million and $4.3 million, respectively. The increase in the allowance for credit losses related to the MPF portfolio was driven by several factors, including updated default and loss assumptions in accordance with the methodology and an increase in delinquencies in the portfolio, although delinquencies remain markedly below national delinquency numbers for prime mortgage loans.

Mortgage Insurers. The Bank's MPF Program currently has credit exposure to nine mortgage insurance companies to provide both primary mortgage insurance and supplemental mortgage insurance under its various programs. The Bank closely monitors the financial condition of these mortgage insurers. All providers are required to maintain a rating of AA- or better by at least one credit rating agency and are reviewed at least annually by the Bank's Credit Risk Committee or more frequently as circumstances warrant. The MPF Provider and the various FHLBanks offering the MPF Program have established a set of financial criteria for further monitoring the financial condition of the mortgage insurance companies.

Under the provisions of the Program, when an insurer is no longer considered a qualified SMI provider for the MPF Program due to a ratings downgrade, the Bank is required to notify affected PFIs that they will be required to take one of the following actions within six months: 1) obtain replacement SMI coverage with a different provider; or 2) provide their own undertaking equivalent to SMI coverage, including assumption of credit enhancement and adequate collateralization of the credit enhancement obligation. In the event the PFIs would not take one of these actions, the Bank would withhold the PFIs performance-based credit enhancement fees.

As noted in the table below, very few of the Bank's mortgage insurers currently maintain a rating of A+ or better by at least one credit rating agency. As required by the Program, for ongoing primary mortgage insurance, the ratings model currently requires additional credit enhancement from the PFI to compensate for the lower mortgage insurer rating. The MPF Plus product, which requires supplemental mortgage insurance under the Program, is currently not being offered due to a lack of insurers writing new SMI policies. The Bank had no open MPF Plus Master Commitments at June 30, 2009.

The following tables present mortgage insurance provider credit exposure and concentrations with coverage greater than 10% of total coverage as of June 30, 2009 and December 31, 2008.

	June 30, 2009				
(dollars in millions)	**Credit Rating (Fitch/ Moody's/Standard & Poor's)**	**Primary Mortgage Insurance**	**Supplemental Mortgage Insurance**	**Total Credit Exposure**	**Percent of Total**
Genworth Mortgage Insurance Corp. (Genworth)	**- / Baa2 / BBB+**	**$ 7.4**	**$ 53.2**	**$ 60.6**	**39.2**
Mortgage Guaranty Insurance Corp. (MGIC)	**BBB / Ba2 / BB**	**25.9**	**3.6**	**29.5**	**19.1**
Republic Mortgage Insurance Company (RMIC)	**BBB / Baa2 / A-**	**17.5**	**5.1**	**22.6**	**14.6**
PMI Mortgage Insurance Co. (PMI)	**- / Ba3 / BB-**	**15.8**	**0.8**	**16.6**	**10.7**
Other insurance providers		**24.9**	**0.4**	**25.3**	**16.4**
Total		**$ 91.5**	**$ 63.1**	**$ 154.6**	**100.0**

	December 31, 2008				
(dollars in millions)	Credit Rating (Fitch/ Moody's/Standard & Poor's)	Primary Mortgage Insurance	Supplemental Mortgage Insurance	Total Credit Exposure	Percent of Total
Genworth Mortgage Insurance Corp. (Genworth)	A+	$ 7.7	$ 53.2	$ 60.9	36.4
Mortgage Guaranty Insurance Corp. (MGIC)	A-	27.9	5.5	33.4	20.0
Republic Mortgage Insurance Company (RMIC)	A	20.0	5.1	25.1	15.0
PMI Mortgage Insurance Co. (PMI)	BBB+	18.6	0.8	19.4	11.6
Other insurance providers		28.1	0.4	28.5	17.0
Total		$ 102.3	$ 65.0	$ 167.3	100.0

Subsequent to June 30, 2009, MGIC was downgraded to BB by at least one NRSRO.

Banking On Business (BOB) Loans. The Bank has offered the BOB loan program to members since 2000, which is targeted to small businesses in the Bank's district of Delaware, Pennsylvania and West Virginia. The program's objective is to assist in the growth and development of small businesses, including both the start-up and expansion of these businesses. The Bank makes funds available to members to extend credit to an approved small business borrower, thereby enabling small businesses to qualify for credit that would otherwise not be available. The original intent of the BOB program is as a grant program to members to help facilitate community economic development; however, repayment provisions within the program require that the BOB program be accounted for as an unsecured loan program. As the members collect directly from the borrowers, the members remit to the Bank repayment of the loans. If the business is unable to repay the loan, it may be forgiven at the member's request, subject to the Bank's approval. The entire BOB program is classified as a nonaccrual loan portfolio due to the fact that the Bank has doubt about the ultimate collection of the contractual principal and interest of the loans. Therefore, interest income is not accrued on these loans; income is recognized on a cash-basis when received.

Derivative Counterparties. The Bank is subject to credit risk arising from the potential non-performance by derivative counterparties with respect to the agreements entered into with the Bank, as well as certain operational risks relating to the management of the derivative portfolio. In management of this credit risk, the Bank follows the policies established by the Board regarding unsecured extensions of credit. For all derivative counterparties, the Bank selects only highly-rated derivatives dealers and major banks that meet the Bank's eligibility criteria. The Bank manages derivative counterparty credit risk through the combined use of credit analysis, collateral

management and other risk mitigation techniques. For example, the Bank requires collateral agreements on all nonmember derivative financial instrument contracts under which collateral must be posted against exposure over an unsecured threshold amount. Additionally, the extent to which the Bank is exposed to derivative counterparty risk, the risk is partially mitigated through the use of master netting agreements and bilateral security agreements with all active derivative counterparties that provide for delivery of collateral at specified levels tied to individual counterparty credit ratings as reported by the credit rating agencies. In determining maximum credit exposure, the Bank considers accrued interest receivables and payables, and the legal right to offset assets and liabilities on an individual counterparty basis. As a result of these risk mitigation actions, management does not anticipate any credit losses on its current derivative agreements outstanding.

The Bank regularly monitors the credit exposure of derivative transactions by determining the market value of positions using an internal pricing model. The market values generated by this model are compared to other internal models and dealer prices on a monthly basis. Collateral transfers required due to changes in market values are conducted on a daily basis, when necessary. The notional amount of derivatives does not measure the credit risk exposure of the Bank, and the maximum credit exposure of the Bank is substantially less than the notional amount. The recent deterioration in the credit/financial markets has heightened the Bank’s awareness of derivative default risk. In response, the Bank has created a task force which has worked toward lessening this risk by (1) attempting to negotiate revised ISDA Master Agreement terms, when necessary, that should help to mitigate losses in the event of a counterparty default and (2) verifying that the derivative counterparties are in full compliance with existing ISDA requirements through enhanced monitoring efforts. The Bank’s ISDA Master Agreements typically require segregation of the Bank’s collateral posted with the counterparty and do not permit rehypothecation.

For purposes of the table below, the notional principal outstanding reflects only those counterparties which have net credit exposure at June 30, 2009 and December 31, 2008. In addition, the maximum credit exposure represents the estimated fair value of the derivative contracts that have a net positive market value to the Bank and the net credit exposure represents maximum credit exposure less the protection afforded by contractually required collateral held by the Bank.

	June 30, 2009				
(dollars in millions) Credit Rating (1)	**Number of Counterparties**	**Notional Principal Outstanding**	**Maximum Credit Exposure**	**Cash Collateral Held**	**Net Credit Exposure**
AAA	**1**	**$ 20.0**	**$ 0.5**	$ -	**$ 0.5**
AA	**1**	**230.0**	**7.9**	-	**7.9**
A	**3**	**2,688.8**	**48.2**	**43.5**	**4.7**
Total	**5**	**$ 2,938.8**	**$ 56.6**	**$ 43.5**	**$ 13.1**

	December 31, 2008				
(dollars in millions) Credit Rating (1)	Number of Counterparties	Notional Principal Outstanding	Maximum Credit Exposure	Cash Collateral Held	Net Credit Exposure
AAA	1	$ 20.0	$ 0.8	$ -	$ 0.8
AA	2	1,320.0	16.5	-	16.5
A	4	2,382.3	21.4	9.8	11.6
Total	7	$ 3,722.3	$ 38.7	$ 9.8	$ 28.9

Note:

(1) Credit ratings reflect the lowest rating from the credit rating agency. These tables do not reflect changes in any rating, outlook or watch status after June 30, 2009 and December 31, 2008. The Bank measures credit exposure through a process which includes internal credit review and various external factors.

At the time of its bankruptcy, Lehman Brothers along with its subsidiary LBSF, was the Bank’s largest derivative counterparty. As a result of the bankruptcy filing in September 2008, the Bank terminated 595 derivative trades. A portion of these trades were replaced. For further information, see the detailed discussion regarding the

Lehman-related transactions in "Current Financial and Mortgage Market Events and Trends" in Item 7. Management's Discussion and Analysis in the Bank's 2008 Annual Report filed on Form 10-K.

At June 30, 2009, three counterparties collectively represented approximately 96% of the Bank's total net credit exposure, one rated AA and two rated A. At December 31, 2008, four counterparties, all of whom were rated AA, collectively represented approximately 91% of the Bank's total net credit exposure. The Bank's total net credit exposure to derivative counterparties, which reflects derivative assets net of cash collateral, was $13.1 million and $28.9 million at June 30, 2009 and December 31, 2008, respectively.

Liquidity and Funding Risk

As a wholesale bank, the Bank's financial strategies are designed to enable it to expand and contract its assets, liabilities and capital in response to changes in member credit demand, membership composition and other market factors. The Bank's liquidity resources are designed to support these financial strategies. The Bank actively manages its liquidity position to maintain stable, reliable, and cost-effective sources of funds, while taking into account market conditions, member credit demand for short-and long-term loans, investment opportunities and the maturity profile of the Bank's assets and liabilities. The Bank recognizes that managing liquidity is critical to achieving its statutory mission of providing low-cost funding to its members. In managing liquidity risk, the Bank is required to maintain a level of liquidity in accordance with certain Finance Agency guidance and policies established by management and the Board.

Consolidated bonds and discount notes, along with member deposits, represent the primary funding sources used by the Bank to support its asset base. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States, and the United States does not guarantee them. Consolidated obligation bonds and discount notes are rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. These ratings measure the likelihood of timely payment of principal and interest. At June 30, 2009, the Bank's consolidated obligation bonds outstanding totaled $54.1 billion compared to $61.4 billion as of December 31, 2008, a decrease of $7.3 billion, or 11.9%. The Bank also issues discount notes, which are shorter-term consolidated obligations, to support its short-term member loan portfolio and other short-term asset funding needs. Total discount notes outstanding at June 30, 2009 decreased to $15.5 billion down from $22.9 billion at December 31, 2008, a decline of $7.4 billion, or 32.3%.

The Bank's investments also represent a key source of liquidity. Total investments available for liquidation may include trading securities, available-for-sale securities, Federal funds sold, certificates of deposit and interest earning deposits. These amounts were $15.9 billion at June 30, 2009, compared to $9.6 billion at December 31, 2008. The Bank also maintains a secondary liquidity portfolio which may include U.S. Treasury and agency securities and other GSE securities that can be financed under normal market conditions in securities repurchase agreement transactions to raise additional funds.

As noted in the "Legislative and Regulatory Developments" and "Current Financial and Mortgage Market Events and Trends" discussions in Item 7. Management's Discussion and Analysis in the Bank's 2008 Annual Report filed on Form 10-K, the Housing Act provides temporary authority for the U.S. Treasury to provide liquidity to the FHLBanks in any amount, as deemed appropriate, in part through the establishment of the GSECF. In connection with the GSECF, the Bank entered into a Lending Agreement with the U.S. Treasury. Any extensions of credit under this agreement would be a consolidated obligation and would be the joint and several obligation of all twelve FHLBanks. As of June 30, 2009 and the filing of this report on Form 10-Q, the Bank had not drawn on this source of liquidity and has no immediate plans to do so. This authorization expires December 31, 2009.

For further information on the Bank's liquidity risks, see additional discussion in the Item 1A. Risk Factors entitled *"The Bank may be limited in its ability to access the capital markets, which could adversely affect the Bank's liquidity. In addition, the Bank's limited ability to access the long-term debt markets has had, and may continue to have, a material adverse effect on its liquidity, results of operations and financial condition, as well as its ability to fund operations, including loans to members."* in the Bank's 2008 Annual Report filed on Form 10-K.

Effective March 6, 2009, the Finance Agency provided final guidance revising and formalizing prior guidance regarding liquidity requirements provided to the FHLBanks in fourth quarter 2008. This final guidance requires the Bank to maintain sufficient liquidity in an amount at least equal to its anticipated cash outflows under two different

scenarios. One scenario assumes that the Bank can not access the capital markets for a period of fifteen days and that, during that time, members do not renew any maturing, prepaid and called advances. The second scenario assumes that the Bank can not access the capital markets for five days and that during that period it will automatically renew maturing and called advances for all members except very large, highly rated members.

Contingency Liquidity. In their asset/liability management planning, members may look to the Bank to provide standby liquidity. The Bank seeks to be in a position to meet its customers' credit and liquidity needs without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. To satisfy these requirements and objectives, the Bank's primary sources of liquidity are short-term investments, such as Federal funds purchased, and the issuance of new consolidated obligation bonds and discount notes. Member loan growth may initially be funded by maturing on-balance sheet liquid investments, but within a short time the growth is usually funded by new issuances of consolidated obligations. The capital to support the loan growth is provided by the borrowing members, through their capital requirements, which are based in part on outstanding loans.

The Bank maintains contingency liquidity plans designed to enable it to meet its obligations and the liquidity needs of members in the event of short-term capital market disruptions, operational disruptions at other FHLBanks or the OF, or short-term disruptions of the consolidated obligations markets. Specifically, the Board has adopted a Liquidity and Funds Management policy which requires the Bank to maintain at least 90 days of liquidity to enable the Bank to meet its obligations in the event of a longer-term consolidated obligations market disruption. If a market or operational disruption occurred that prevented the issuance of new consolidated obligation bonds or discount notes through the capital markets, the Bank could meet its obligations by: (1) allowing short-term liquid investments to mature; (2) purchasing Federal funds; (3) using eligible securities as collateral for repurchase agreement borrowings; and (4) if necessary, allowing loans to mature without renewal. The Bank's GSE status and the FHLB System consolidated obligation credit rating, which reflects the fact that all twelve FHLBanks share a joint and several liability on the consolidated obligations, have historically provided excellent capital market access. Due in part to capital markets disruptions in the fourth quarter 2008 and subsequently, the Bank was in violation of this 90-day liquidity requirement from time to time during the first four months of 2009, but was in compliance at April 30, 2009, during May and June 2009 and at June 30, 2009. Effective April 28, 2009, the calculation of 90-day contingency liquidity was modified to recognize that if the Bank were unable to access the capital markets for more than a short period of time, the Bank would not call debt that would otherwise be eligible to be called.

Additionally, in accordance with required regulation, the Bank's Liquidity and Funds Management policy has historically mandated that the Bank hold contingency liquidity sufficient to meet the Bank's estimated needs for a minimum of five business days without access to the consolidated obligation debt markets. The Bank's liquidity measures are estimates which are dependent upon certain assumptions which may or may not prove valid in the event of an actual complete capital market disruption. Management believes that under normal operating conditions, routine member borrowing needs and consolidated obligation maturities could be met under these requirements; however, under extremely adverse market conditions, the Bank's ability to meet a significant increase in member loan demand could be impaired without immediate access to the consolidated obligation debt markets. The Bank's access to the capital markets has never been interrupted to the extent the Bank's ability to meet its obligations was compromised and the Bank currently has no reason to believe that its ability to issue consolidated obligations will be impeded to that extent. Specifically, the Bank's sources of contingency liquidity include maturing overnight and short-term investments, maturing loans to members, securities available for repurchase agreements, available-for-sale securities and MBS repayments. Uses of contingency liquidity include net settlements of consolidated obligations, member loan commitments, mortgage loan purchase commitments, deposit outflows and maturing other borrowed funds. Excess contingency liquidity is calculated as the difference between sources and uses of contingency liquidity. At June 30, 2009 and December 31, 2008, excess contingency liquidity was approximately $15.5 billion and $16.9 billion, respectively. As noted above, the Bank would also have access to additional liquidity through the GSECF, if necessary, although the Bank has no immediate plans to do so.

Repurchases of Excess Capital Stock. In the past, the Bank also retained liquidity to repurchase a member's capital stock, upon request and at the Bank's sole discretion, at par value as long as the repurchase would not cause the Bank to fail to meet any of its regulatory capital requirements or violate any other regulatory prohibitions. On

December 23, 2008, the Bank announced its decision to voluntarily suspend the repurchase of excess capital stock until further notification in an effort to preserve capital. As of June 30, 2009 and December 31, 2008, the Bank had outstanding capital redemption requests due to pending mergers and withdrawal requests of $8.2 million and $4.7 million, respectively. In addition, as of June 30, 2009 and December 31, 2008, excess capital totaled $1.4 billion and $479.7 million, respectively. See Note 10 of the unaudited financial statements in this report filed on Form 10-Q for additional information.

Operating and Business Risks

Operating Risk. Operating risk is defined as the risk of unexpected loss resulting from human error, systems malfunctions, man-made or natural disasters, fraud, or circumvention or failure of internal controls. The Bank has established operating policies and procedures to manage each of the specific operating risks, which are categorized as compliance, fraud, legal, information and personnel. The Bank's Internal Audit department, which reports directly to the Audit Committee of the Bank's Board, regularly monitors compliance with established policies and procedures. Management continually monitors the effectiveness of the internal control environment and takes action as appropriate to enhance the environment. Some operating risk may also result from external factors which are beyond the Bank's control, such as the failure of other parties with which the Bank conducts business to adequately address their own operating risks. Governance over the management of operating risks takes place through the Bank's Risk Management Committee. Business areas retain primary responsibility for identifying, assessing and reporting their operational risks. To assist them in discharging this responsibility and to ensure that operational risk is managed consistently throughout the organization, the Bank has developed an operating risk management framework, which includes key risk indicators.

In addition to the particular risks and challenges that the Bank faces, the Bank also experiences ongoing operating risks that are similar to those of other large financial institutions. For example, the Bank is exposed to the risk that a catastrophic event, such as a terrorist event or a natural disaster, could result in significant business disruption and an inability to process transactions through normal business processes. To mitigate this risk, the Bank maintains and tests business continuity plans and has established backup facilities for critical business processes and systems away from, although in the same metropolitan area as, the main office. The Bank also has a reciprocal backup agreement in place with the FHLBank Des Moines to provide short-term loans and debt servicing in the event that both of the Pittsburgh facilities are inoperable. The results of the Bank's periodic business continuity tests are presented annually to the Board. Management can make no assurances that these measures will be sufficient to respond to the full range of catastrophic events that might occur.

The Bank maintains insurance coverage for employee misappropriation, as well as director and officer liability protection. Additionally, comprehensive insurance coverage is currently in place for electronic data-processing equipment and software, personal property, leasehold improvements, property damage and personal injury. The Bank maintains additional insurance protection as deemed appropriate, such as cyber security and travel accident coverages. The Bank regularly reviews its insurance coverages for adequacy as well as the financial claims paying ability of its insurance carrier.

Business Risk. Business risk is the risk of an adverse impact on the Bank's profitability or financial or business strategies resulting from external factors that may occur in the short-term and/or long-term. This risk includes the potential for strategic business constraints to be imposed through regulatory, legislative or political changes. Examples of external factors may include, but are not limited to: continued financial services industry consolidation, a declining membership base, concentration of borrowing among members, the introduction of new competing products and services, increased non-Bank competition, weakening of the FHLBank System's GSE status, changes in the deposit and mortgage markets for the Bank's members, and other factors that may have a significant direct or indirect impact on the ability of the Bank to achieve its mission and strategic objectives. The Bank's Risk Management Committee monitors economic indicators and the external environment in which the Bank operates and attempts to mitigate this risk through long-term strategic planning.

Item 1: Financial Statements *(unaudited)*

Financial Statements for the Three and Six Months Ended June 30, 2009 and 2008
Federal Home Loan Bank of Pittsburgh
Statement of Operations *(unaudited)*

(in thousands, except per share amounts)	For the Three Months Ended June 30, 2009	2008	For the Six Months Ended June 30, 2009	2008
Interest income:				
Loans to members	**$ 168,140**	$488,262	**$ 408,768**	$1,210,189
Prepayment fees on loans to members, net	**1,827**	2,035	**2,897**	2,121
Interest-earning deposits	**4,953**	2,185	**10,767**	6,141
Federal funds sold	**49**	20,158	**53**	53,106
Trading securities	**5,150**	-	**11,065**	-
Available-for-sale securities	**845**	307	**937**	743
Held-to-maturity securities	**137,384**	208,787	**284,770**	440,415
Mortgage loans held for portfolio	**70,296**	77,803	**147,154**	157,250
Loans to other FHLBanks	**-**	-	**-**	14
Total interest income	**388,644**	799,537	**866,411**	1,869,979
Interest expense:				
Consolidated obligation discount notes	**8,785**	157,127	**33,568**	452,389
Consolidated obligation bonds	**303,539**	543,702	**699,703**	1,213,719
Deposits	**394**	10,003	**806**	25,347
Mandatorily redeemable capital stock	**-**	37	**-**	86
Other borrowings	**17**	35	**34**	56
Total interest expense	**312,735**	710,904	**734,111**	1,691,597
Net interest income before provision for credit losses	**75,909**	88,633	**132,300**	178,382
Provision for credit losses	**1,069**	2,112	**1,512**	3,475
Net interest income after provision for credit losses	**74,840**	86,521	**130,788**	174,907
Other income (loss):				
Services fees	**614**	937	**1,244**	1,931
Net losses on trading securities (Note 3)	**(372)**	(20)	**(316)**	(325)
Total OTTI losses (Note 4 and Note 5)	**(460,242)**	-	**(785,050)**	-
Portion of OTTI losses recognized in other comprehensive loss (Note 4, Note 5 and Note 10)	**420,877**	-	**715,225**	-
Net OTTI losses (Note 4 and Note 5)	**(39,365)**	-	**(69,825)**	-
Net gains (losses) on derivatives and hedging activities (Note 8)	**12,427**	(689)	**11,225**	3,655
Contingency reserve (Note 13)	**-**	-	**(35,314)**	-
Other, net	**2,277**	951	**4,234**	1,272
Total other income (loss)	**(24,419)**	1,179	**(88,752)**	6,533
Other expense:				
Operating	**13,920**	14,215	**27,693**	28,159
Finance Agency	**702**	757	**1,478**	1,514
Office of Finance	**674**	620	**1,338**	1,388
Total other expense	**15,296**	15,592	**30,509**	31,061
Income before assessments	**35,125**	72,108	**11,527**	150,379
Affordable Housing Program	**941**	5,890	**941**	12,285
REFCORP	**2,117**	13,244	**2,117**	27,619
Total assessments	**3,058**	19,134	**3,058**	39,904
Net income	**$ 32,067**	$52,974	**$ 8,469**	$ 110,475
Earnings per share:				
Weighted average shares outstanding (excludes mandatorily redeemable stock)	**40,025**	40,527	**39,977**	40,871
Basic and diluted earnings per share	**$ 0.80**	$1.31	**$ 0.21**	$ 2.70
Dividends per share	**$ -**	$0.95	**$ -**	$ 2.11

The accompanying notes are an integral part of these financial statements.

Federal Home Loan Bank of Pittsburgh
Statement of Condition *(unaudited)*

(in thousands, except par value)	**June 30, 2009**	December 31, 2008
ASSETS		
Cash and due from banks	**$ 69,553**	$ 67,577
Interest-earning deposits	**8,663,383**	5,103,671
Federal funds sold	**500,000**	1,250,000
Investment securities:		
Trading securities (Note 3)	**934,708**	506,807
Available-for-sale securities, at fair value (Note 4)	**1,252,968**	19,653
Held-to-maturity securities; fair value of $12,042,160 and $12,825,341, respectively (Note 5)	**13,093,177**	14,918,045
Loans to members (Note 6)	**45,799,611**	62,153,441
Mortgage loans held for portfolio (Note 7), net of allowance for credit losses of $6,332 and $4,301, respectively	**5,607,486**	6,165,266
Banking on Business loans, net of allowance for credit losses of $9,456 and $9,725, respectively	**11,370**	11,377
Accrued interest receivable	**338,149**	434,017
Prepaid REFCORP assessment	**37,524**	39,641
Premises, software and equipment, net	**22,309**	22,682
Derivative assets (Note 8)	**13,144**	28,888
Other assets	**58,209**	84,858
Total assets	**$76,401,591**	$ 90,805,923

Federal Home Loan Bank of Pittsburgh
Statement of Condition (continued) *(unaudited)*

	June 30, 2009	December 31, 2008
LIABILITIES AND CAPITAL		
Liabilities:		
Deposits:		
Interest-bearing	**$ 2,052,245**	$ 1,467,606
Noninterest-bearing	**44,970**	18,771
Total deposits	**2,097,215**	1,486,377
Consolidated obligations, net (Note 9):		
Discount notes	**15,538,119**	22,864,284
Bonds	**54,090,499**	61,398,687
Total consolidated obligations, net	**69,628,618**	84,262,971
Mandatorily redeemable capital stock (Note 10)	**8,199**	4,684
Accrued interest payable	**300,432**	494,078
Affordable Housing Program	**32,686**	43,392
Derivative liabilities (Note 8)	**657,998**	355,014
Other liabilities	**172,631**	24,540
Total liabilities	**72,897,779**	86,671,056
Commitments and contingencies (Note 13)	**-**	-
Capital (Note 10):		
Capital stock - putable ($100 par value) issued and outstanding shares: 40,071 and 39,817 shares in 2009 and 2008, respectively	**4,007,074**	3,981,688
Retained earnings	**434,914**	170,484
Accumulated other comprehensive loss:		
Net unrealized loss on available-for-sale securities (Note 4 and Note 10)	**(14,730)**	(14,543)
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities (Note 4 and Note 10)	**(800,320)**	-
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities (Note 5 and Note 10)	**(121,117)**	-
Net unrealized loss relating to hedging activities (Note 10)	**(204)**	(885)
Pension and post-retirement benefits (Note 10)	**(1,805)**	(1,877)
Total capital	**3,503,812**	4,134,867
Total liabilities and capital	**$76,401,591**	$ 90,805,923

The accompanying notes are an integral part of these financial statements.

Federal Home Loan Bank of Pittsburgh
Statement of Cash Flows *(unaudited)*

(in thousands)	For the Six Months Ended June 30, **2009**	2008
OPERATING ACTIVITIES		
Net income	**$ 8,469**	$ 110,475
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**(123,423)**	(126,039)
Change in net fair value adjustment on derivative and hedging activities	**268,704**	160,953
OTTI losses	**69,825**	-
Other adjustments	**1,513**	3,484
Net change in:		
Trading securities	**(427,901)**	824
Accrued interest receivable	**95,895**	41,069
Other assets	**38,528**	(566)
Accrued interest payable	**(193,638)**	(59,554)
Other liabilities(1)	**(10,077)**	(6,087)
Total adjustments	**(280,574)**	14,084
Net cash (used in) provided by operating activities	**$(272,105)**	$124,559
INVESTING ACTIVITIES		
Net change in:		
Interest-earning deposits (including $(1) and $2,351 from other FHLBanks for mortgage loan programs)	**$(2,748,078)**	$(236,868)
Federal funds sold	**750,000**	(1,165,000)
Loans to other FHLBanks	**-**	500,000
Premises, software and equipment	**(2,342)**	(1,688)
Available-for-sale securities:		
Proceeds	**504,049**	3,717
Purchases	**(500,000)**	-
Held-to-maturity securities:		
Net change in short-term	**(1,700,000)**	(791,493)
Proceeds from maturities long-term	**2,178,873**	1,465,959
Purchases of long-term	**(475,000)**	(329,815)
Loans to members:		
Proceeds	**91,396,641**	802,661,096
Made	**(75,963,427)**	(800,238,651)
Mortgage loans held for portfolio:		
Proceeds	**841,245**	443,238
Purchases	**(293,307)**	(259,160)
Net cash provided by investing activities	**$13,988,654**	$2,051,335

Federal Home Loan Bank of Pittsburgh
Statement of Cash Flows (continued) *(unaudited)*

(in thousands)	For the Six Months Ended June 30, 2009	2008
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	**$ 644,468**	$ 1,793,895
Net payments for derivative financing activities	**(100,869)**	-
Net proceeds from issuance of consolidated obligations:		
Discount notes	**88,991,142**	499,719,026
Bonds (including $0 and $313,938 from other FHLBanks)	**15,559,303**	23,766,865
Payments for maturing and retiring consolidated obligations:		
Discount notes	**(96,284,663)**	(510,832,030)
Bonds (including $407,000 and $0 from other FHLBanks)	**(22,552,855)**	(16,513,448)
Proceeds from issuance of capital stock	**28,901**	3,012,385
Payments for redemption of mandatorily redeemable capital stock	**-**	(53,663)
Payments for redemption/repurchase of capital stock	**-**	(2,955,677)
Cash dividends paid	**-**	(86,391)
Net cash (used in) financing activities	**$(13,714,573)**	$ (2,149,038)
Net increase in cash and cash equivalents	**$ 1,976**	$ 26,856
Cash and cash equivalents at beginning of the period	**67,577**	67,388
Cash and cash equivalents at end of the period	**$ 69,553**	$ 94,244
Supplemental disclosures:		
Interest paid during the period	**$ 1,000,664**	$ 1,385,373
AHP payments, net	**11,647**	8,502
REFCORP assessments paid	**-**	31,150
Transfers of mortgage loans to real estate owned	**7,504**	2,854

Note:

(1) Other liabilities includes the net change in the REFCORP asset/liability where applicable.

The accompanying notes are an integral part of these financial statements.

Federal Home Loan Bank of Pittsburgh
Statement of Changes in Capital *(unaudited)*

(in thousands)	Capital Stock - Putable Shares	Capital Stock - Putable Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Capital
Balance December 31, 2007	39,947	$3,994,732	$ 296,260	$(6,304)	$4,284,688
Proceeds from sale of capital stock	30,124	3,012,385			3,012,385
Redemption/repurchase of capital stock	(29,557)	(2,955,677)			(2,955,677)
Net shares reclassified to mandatorily redeemable capital stock	(536)	(53,663)			(53,663)
Comprehensive income (loss):					
Net income			110,475		110,475
Net unrealized loss on available- for-sale securities				(9,789)	(9,789)
Reclassification adjustment for losses included in net income relating to:					
Hedging activities				1,794	1,794
Other				443	443
Total comprehensive income (loss)			110,475	(7,552)	102,923
Cash dividends on capital stock			(86,391)		(86,391)
Balance June 30, 2008	39,978	$3,997,777	$ 320,344	$(13,856)	$4,304,265
Balance December 31, 2008	**39,817**	**$3,981,688**	**$ 170,484**	**$(17,305)**	**$4,134,867**
Cumulative effect of adjustments to opening balance relating to FSP 115-2			**$ 255,961**	**$(255,961)**	$ -
Proceeds from sale of capital stock	**289**	**28,901**			**28,901**
Net shares reclassified to mandatorily redeemable capital stock	**(35)**	**(3,515)**			**(3,515)**
Comprehensive income (loss):					
Net income			**8,469**		**8,469**
Net unrealized losses on available- for-sale securities				**(187)**	**(187)**
Net unrealized gain on securities transferred from held-to-maturity to available-for-sale				**22,435**	**22,435**
Noncredit component of other-than- temporarily impaired securities:					
Available-for-sale				**472**	**472**
Held-to-maturity				**(731,308)**	**(731,308)**
Reclassification of adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity				**16,083**	**16,083**
Accretion of noncredit portion of impairment losses on held-to-maturity securities				**26,842**	**26,842**
Reclassification adjustment for losses included in net income relating to:					
Hedging activities				**681**	**681**
Pension and post-retirement benefits				**72**	**72**
Total comprehensive income (loss)			**8,469**	**(664,910)**	**(656,441)**
Balance June 30, 2009	**40,071**	**$4,007,074**	**$ 434,914**	**$(938,176)**	**$3,503,812**

The accompanying notes are an integral part of these financial statements.

Federal Home Loan Bank of Pittsburgh
Notes to Financial Statements *(unaudited)*

Note 1 – Background Information

The Bank, a federally chartered corporation, is one of 12 district FHLBanks. The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. The Bank provides a readily available, low-cost source of funds to its member institutions. The Bank is a cooperative, which means that current members own nearly all of the outstanding capital stock of the Bank and may receive dividends on their investment. Regulated financial depositories and insurance companies engaged in residential housing finance that maintain their principal place of business in Delaware, Pennsylvania or West Virginia may apply for membership. State and local housing associates that meet certain statutory and regulatory criteria may also borrow from the Bank. While eligible to borrow, state and local housing associates are not members of the Bank and, as such, are not required to hold capital stock.

All members must purchase stock in the Bank. The amount of capital stock members own is based on their outstanding loans, their unused borrowing capacity and the principal balance of residential mortgage loans previously sold to the Bank. See Note 10 for additional information. The Bank considers those members with capital stock outstanding in excess of 10% of total capital stock outstanding to be related parties. See Note 11 for additional information.

The Finance Board, an independent agency in the executive branch of the United States government, supervised and regulated the FHLBanks and the OF through July 29, 2008. With the passage of the Housing Act, the Finance Agency was established and became the new independent Federal regulator of the FHLBanks, effective July 30, 2008. The Finance Agency's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner including maintenance of adequate capital and internal controls. In addition, the Finance Agency ensures that the operations and activities of each FHLBank foster liquid, efficient, competitive, and resilient national housing finance markets; each FHLBank complies with the title and the rules, regulations, guidelines, and orders issued under the Housing Act and the authorizing statutes; each FHLBank carries out its statutory mission only through activities that are authorized under and consistent with the Housing Act and the authorizing statutes; and the activities of each FHLBank and the manner in which such regulated entity is operated are consistent with the public interest. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The Bank does not have any off-balance sheet special-purpose entities or any other type of off-balance sheet conduits.

As provided by the Act, as amended, or Finance Agency regulation, the Bank's debt instruments, referred to as consolidated obligations, are the joint and several obligations of all the FHLBanks and are the primary source of funds for the FHLBanks. See Note 9 for additional information. The OF is a joint office of the FHLBanks established to facilitate the issuance and servicing of the consolidated obligations of the FHLBanks and to prepare the combined quarterly and annual financial reports of all twelve FHLBanks. Deposits, other borrowings, and capital stock issued to members provide other funds. The Bank primarily uses these funds to provide loans to members and to purchase mortgages from members through the MPF Program. See Notes 6 and 7 for additional information. The Bank also provides member institutions with correspondent services, such as wire transfer, safekeeping and settlement.

The accounting and financial reporting policies of the Bank conform to GAAP. Preparation of the unaudited financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses. Actual results could differ from those estimates. In addition, from time to time certain amounts in the prior period may be reclassified to conform to the current presentation. In the opinion of management, all normal recurring adjustments have been included for a fair statement of this interim financial information. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2008 included in the Bank's 2008 Annual Report filed on Form 10-K.

Notes to Financial Statements *(unaudited)* (continued)

Note 2 – Accounting Adjustments, Changes in Accounting Principle and Recently Issued Accounting Standards and Interpretations

Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). On March 19, 2008, the FASB issued SFAS 161 which requires enhanced disclosures for derivative instruments. The intent of the enhanced disclosures is to assist the users of the financial statements to better understand how and why an entity uses derivative instruments and how derivative instruments and hedging activities affect the entity's financial position, financial performance and cash flows. The Bank adopted SFAS 161 on January 1, 2009. The Bank's adoption of SFAS 161 resulted in increased financial statement disclosure but had no impact on the Bank's Statement of Operations and Statement of Condition. See Note 8 to the unaudited financial statements in this report filed on Form 10-Q for additional disclosures.

Emerging Issues Task Force Issue No. 08-5, Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement (EITF 08-5). On September 24, 2008, the FASB ratified the consensus reached by the EITF on EITF 08-5. The objective of EITF 08-5 is to determine the issuer's unit of accounting for a liability that is issued with an inseparable third-party credit enhancement when it is recognized or disclosed at fair value on a recurring basis. EITF 08-5 should be applied prospectively. The Bank adopted EITF 08-5 on January 1, 2009. The Bank's adoption of EITF 08-5 had no impact on its Statement of Condition, Statement of Operations or Statement of Cash Flows.

FASB Staff Position No. SFAS 115-2 and SFAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2). On April 9, 2009, the FASB issued FSP 115-2. FSP 115-2 amends OTTI accounting guidance. FSP 115-2 is intended to provide greater clarity to investors about the credit and noncredit component of an OTTI event and to communicate more effectively when an OTTI event has occurred. FSP 115-2 amends the OTTI guidance in GAAP for debt securities; however, it does not amend existing recognition and measurement guidance related to OTTI accounting for equity securities. The new guidance is more operational, improves the presentation and disclosure of OTTI on debt securities and changes the calculation of the OTTI recognized in earnings in the financial statements.

For debt securities in an unrealized loss position, FSP 115-2 requires the Bank to assess whether (1) it has the intent to sell the debt security, or (2) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an OTTI on the security must be recognized. The Bank will recognize into net income an amount equal to the entire difference between fair value and amortized cost basis.

When a credit loss exists but neither of the criteria in the paragraph above are present, the OTTI (i.e., the difference between the security's then-current carrying amount and its estimated fair value) is separated into (i) the amount of the total impairment related to the credit loss (i.e., the credit component) and (ii) the amount of the total impairment related to all other factors (i.e., the noncredit component). The credit component is recognized in earnings and the noncredit component is recognized in accumulated other comprehensive income (loss). The total OTTI is required to be presented in the Statement of Operations with an offset for the noncredit component recognized in accumulated other comprehensive income (loss). Previously, in all cases, if an impairment was determined to be other than temporary, then an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the Statement of Condition date of the reporting period for which the assessment was made.

The noncredit component of any OTTI losses recognized in accumulated other comprehensive income (loss) for debt securities classified as held-to-maturity is accreted over the remaining life of the debt security as an increase in the carrying value of the security unless and until the security is sold, the security matures, or there is an additional OTTI that is recognized in earnings. In periods subsequent to the recognition of an OTTI loss, the other-than-temporarily impaired debt security is accounted for as if it had been purchased on the measurement date of the OTTI at an amount equal to the previous amortized cost basis less the OTTI recognized in earnings. The difference between the new amortized cost basis and the cash flows expected to be collected is accreted as interest

Notes to Financial Statements *(unaudited)* (continued)

income over the remaining life of the security in a prospective manner based on the amount and timing of future estimated cash flows.

FSP 115-2 is effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. Early adoption of FSP 115-2 also requires early adoption of *FASB Staff Position No. SFAS 157-4, Determining Fair Value when the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). When adopting FSP 115-2, an entity is required to record a cumulative effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized OTTI charge from retained earnings to accumulated other comprehensive income (loss) if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis.

The Bank adopted FSP 115-2 as of January 1, 2009, and recognized the effects of applying FSP 115-2 as a change in accounting principle. The Bank recognized the $255.9 million cumulative effect of initially applying FSP 115-2 as an adjustment to retained earnings at January 1, 2009, with a corresponding offset to accumulated other comprehensive income (loss). Had the Bank not adopted FSP 115-2, the Bank would have recognized an amount approximated by the total OTTI losses in net income for the first six months of 2009.

FASB Staff Position No. SFAS 157-4, Determining Fair Value when the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). During April 2009, the FASB issued FSP 157-4. FSP 157-4 affirms the objective that fair value is the price that would be received to sell an asset in an orderly transaction (that is not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions (that is, in the inactive market). FSP 157-4 provides additional guidance to determine whether a market for a financial asset is inactive and determine if a transaction is distressed. FSP 157-4 is effective for and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. Early adoption of FSP 157-4 also requires early adoption of FSP 115-2. The Bank adopted FSP 157-4 on January 1, 2009. The Bank's adoption of FSP 157-4 did not have a material effect on the Bank's Statement of Operations, Statement of Condition and Statement of Cash Flows.

FASB Staff Position No. SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). On April 9, 2009, the FASB issued FSP 107-1. FSP 107-1 amends the disclosure requirements in SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* (SFAS 107), and APB Opinion No. 28, *Interim Financial Reporting*, to require disclosures about the fair value of financial instruments within the scope of SFAS 107, including disclosure of the method(s) and significant assumptions used to estimate the fair value of financial instruments, in interim financial statements as well as in annual financial statements. Previously, these disclosures were required only in annual financial statements. FSP 107-1 is effective for and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. Early adoption of FSP 107-1 is only permitted if an election is also made to early adopt FSP 115-2 and FSP 157-4. In periods after initial adoption, FSP 107-1 requires comparative disclosures only for periods ending subsequent to initial adoption and does not require earlier periods to be disclosed for comparative purposes at initial adoption. The Bank adopted FSP 107-1 on January 1, 2009. The adoption resulted in increased interim financial statement disclosures, but did not affect the Bank's Statement of Condition, Statement of Operations or Statement of Cash Flows.

Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS 165). On May 28, 2009, the FASB issued SFAS 165 to establish general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued. In particular, it establishes that the Bank must evaluate subsequent events through the date the financial statements are issued, the circumstances under which a subsequent event should be recognized, and the circumstances for which a subsequent event should be disclosed. It also requires the Bank to disclose the date through which the Bank evaluated subsequent events. SFAS 165 was effective for the Bank's Form 10-Q as of June 30, 2009. The Bank's adoption of SFAS 165 resulted in additional financial statement

Notes to Financial Statements *(unaudited)* (continued)

disclosure but had no impact on the Statement of Operations and Statement of Condition. See Note 14 to the unaudited financial statements in this report filed on Form 10-Q for the additional disclosure.

Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (SFAS 166). On June 12, 2009, the FASB issued SFAS 166 to improve the relevance, representational faithfulness, and comparability of information about a transfer of financial assets. SFAS 166 amends sale accounting by eliminating the concept of a qualifying special-purpose-entity (QSPE), establishes the requirements for sale accounting for transfers of portions of a financial instrument, clarifies and amends derecognition provisions, amends the gain/loss recognition provisions related to sales of beneficial interests, and requires enhanced disclosures. SFAS 166 will be effective for transfers of financial assets beginning January 1, 2010. The Bank's continues to evaluate the potential impact on its Statement of Operations and Statement of Condition.

Statement of Financial Accounting Standards No. 167, Consolidation of Variable Interest Entities, an amendment to FIN 46(R) (SFAS 167). On June 12, 2009, the FASB issued SFAS 167 to amend the consolidation guidance for variable-interest-entities (VIEs). SFAS 167 amends the consolidation guidance by eliminating the scope exception for QSPEs, establishes a more qualitative evaluation to determine the primary beneficiary based on power and obligation to absorb losses or right to receive benefits, and requires the Bank to constantly reassess who is the primary beneficiary of a VIE. SFAS 167 will be effective for the Bank as of January 1, 2010 and will be applied to all current VIEs (including QSPEs). The Bank's adoption of SFAS 167 is not currently expected to have a material impact on its Statement of Operations or Statement of Condition.

Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (SFAS 168). On June 29, 2009, the FASB issued SFAS 168 to establish the FASB Accounting Standards Codification (FASB ASC) as the single source of authoritative nongovernmental GAAP. SFAS 168 does not change current GAAP. The intent is to organize all accounting literature by topic in one place to enable users to quickly identify appropriate GAAP. SFAS 168 is effective July 1, 2009 and must be used as GAAP reference in the Bank's September 30, 2009 interim financial statements. The Bank's adoption of SFAS 168 is not expected to have a material impact on its Statement of Operations or Statement of Condition.

Certificates of Deposit. During the third quarter of 2008, on a retrospective basis, the Bank reclassified its investments in certain certificates of deposit including related interest income and cash flow activity, previously included as a component of interest-earning deposits, to held-to-maturity securities in its Statement of Condition, Statement of Operations and Statement of Cash Flows based on the definition of a security under SFAS 115. These financial instruments have historically been classified as held-to-maturity securities based on their short-term nature and the Bank's history of holding them until maturity. This reclassification had no effect on total assets, total net interest income or net income. The Bank has certain other interest-earning deposits that do not meet the definition of a security; therefore, these balances, as well as related interest income and cash flow activity, will continue to be classified as interest-earning deposits on the Statement of Condition, Statement of Operations and Statement of Cash Flows.

Notes to Financial Statements *(unaudited)* (continued)

The following table presents the effects of this reclassification on the Bank's prior period Statement of Operations and Statement of Cash Flows.

(in thousands)	As Originally Reported	Impact of Reclassification	As Adjusted
Statement of Operations – three months ended June 30, 2008:			
Interest income:			
Interest-earning deposits	$ 47,935	$ (45,750)	$ 2,185
Held-to-maturity securities	163,037	45,750	208,787
Total interest income	$ 799,537	$ -	$ 799,537
Statement of Operations – six months ended June 30, 2008:			
Interest income:			
Interest-earning deposits	$ 110,931	$ (104,790)	$ 6,141
Held-to-maturity securities	335,625	104,790	440,415
Total interest income	$ 1,869,979	$ -	$ 1,869,979
Statement of Cash Flows – six months ended June 30, 2008:			
Investing activities:			
Net change in interest-earning deposits	$ (1,111,868)	$ 875,000	$ (236,868)
Held-to-maturity – net (increase) decrease in short-term	83,507	(875,000)	(791,493)
Total investing activities	$ 2,051,335	$ -	$ 2,051,335

Note 3 – Trading Securities

The following table presents trading securities as of June 30, 2009 and December 31, 2008.

(in thousands)	**June 30, 2009**	December 31, 2008
Certificates of deposit[(1)]	**$ -**	$500,613
TLGP investments	**250,101**	-
Treasury bills	**678,637**	-
Mutual funds offsetting deferred compensation	**5,970**	6,194
Total	**$934,708**	$506,807

Note:

(1) Represents certificates of deposit that meet the definition of a security under SFAS 115.

The $427.9 million increase in trading securities from December 31, 2008 to June 30, 2009 was driven by increases in Treasury bills and TLGP investments, as the Bank continued its strategy of building liquidity. In addition, Treasury bills were also purchased with the expectation they could be pledged as collateral for derivative counterparties, replacing previously pledged cash.

The mutual funds are held in a Rabbi trust to generate returns that seek to offset changes in liabilities related to the notional market risk of certain deferred compensation agreements. These deferred compensation liabilities were $5.9 million and $6.2 million at June 30, 2009 and December 31, 2008, respectively.

Net losses on trading securities were $372 thousand and $316 thousand, respectively, for the three and six months ended June 30, 2009. Net losses on trading securities were $20 thousand and $325 thousand for the three and six months ended June 30, 2008, respectively. Interest income on trading securities was $5.1 million and $11.0 million, respectively, for the three and six months ended June 30, 2009. There was no interest income on trading securities for the three and six months ended June 30, 2008.

Notes to Financial Statements *(unaudited)* (continued)

Note 4 – Available-for-Sale Securities

The following tables present available-for-sale securities as of June 30, 2009 and December 31, 2008.

	June 30, 2009				
(in thousands)	Amortized Cost(1)	OTTI Recognized in OCI(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Estimated Fair Value
Private label MBS:					
Private label residential	**$2,050,736**	**$(820,385)**	**$22,435**	**$(5,896)**	**$1,246,890**
Private label HELOCs	**17,282**	**(2,842)**	**472**	**(8,834)**	**6,078**
Total private label MBS	**$2,068,018**	**$(823,227)**	**$22,907**	**$(14,730)**	**$1,252,968**

	December 31, 2008			
(in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Private label MBS	$ 34,196	$ -	$ (14,543)	$ 19,653

Note:

(1) Amortized cost includes adjustments made to the cost basis of an investment for accretion and/or amortization, collection of cash, and/or previous OTTI recognized in earnings (less any cumulative effect adjustments recognized in accordance with the transition provisions of FSP 115-2).

(2) Represents the noncredit portion of an OTTI recognized during the life of the security.

(3) Net unrecognized holding gains/(losses) represent the difference between amortized cost less OTTI recognized in other comprehensive loss and estimated fair value.

The following table presents a reconciliation of the available-for-sale OTTI loss recognized through other comprehensive loss to the total net noncredit portion of OTTI losses on available-for-sale securities in accumulated other comprehensive loss as of June 30, 2009.

(in thousands)	June 30, 2009
Total OTTI loss recognized in other comprehensive loss	**$ (823,227)**
Subsequent unrecognized changes in fair value	**22,907**
Net noncredit portion of OTTI losses on available-for-sale securities in accumulated other comprehensive loss	**$ (800,320)**

The following tables summarize the available-for-sale securities with unrealized losses as of June 30, 2009 and December 31, 2008. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

	June 30, 2009					
	Less than 12 Months		Greater than 12 Months		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Private label:						
Private label residential	**$ -**	**$ -**	**$1,246,890**	**$ (803,846)**	**$1,246,890**	**$ (803,846)**
Private label HELOC	**-**	**-**	**6,078**	**(11,204)**	**6,078**	**(11,204)**
Total private label MBS	**$ -**	**$ -**	**$1,252,968**	**$ (815,050)**	**$1,252,968**	**$ (815,050)**

Note:

(1) As a result of differences in the definitions of unrealized losses and unrecognized holding losses, total unrealized losses in the table above will not agree with total gross unrecognized holding losses in the previous June 30, 2009 table.

Notes to Financial Statements *(unaudited)* (continued)

	December 31, 2008					
	Less than 12 Months		Greater than 12 Months		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Total private label MBS	$ -	$ -	$ 18,089	$ (14,543)	$18,089	$ (14,543)

Securities Transferred. On June 30, 2009, the Bank transferred certain private label MBS from its held-to-maturity portfolio to available-for-sale portfolio. The private label MBS transferred had an OTTI recognized during the quarter ended June 30, 2009, which the Bank believes constitutes evidence of a significant decline in the issuer's creditworthiness. The Bank transferred the securities to the available-for-sale portfolio to increase financial flexibility to sell these securities if management determines it is prudent to do so. The Bank has no current plans to sell these securities nor is the Bank under any requirement to sell the securities. The following table presents information on private label MBS transferred on June 30, 2009.

(in thousands)	Amortized Cost	OTTI Recognized in OCI	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Estimated Fair Value
Private label MBS - residential	**$2,035,028**	**$(820,385)**	**$22,435**	$ -	**$1,237,078**

Mortgage-Backed Securities. The Bank invests in MBS which must be rated AAA at the time of purchase. Each of the securities may contain one or more forms of credit protection, including but not limited to guarantee of principal and interest, subordination, over collateralization, excess interest and insurance wrap.

Credit protection/enhancements for private label MBS primarily consist of senior-subordinated features, which results in the prioritization of payments to senior classes over junior classes. The Bank primarily invests in senior classes of private label MBS. The Bank has higher exposure to the risk of loss on its investments in MBS when the loans backing the MBS exhibit high rates of delinquency and foreclosure and high losses on the sale of foreclosed properties.

Other-than-Temporary Impairment Analysis on Private Label MBS Available-for-Sale Securities. The Bank evaluates its available-for-sale investment securities for OTTI quarterly. A discussion of OTTI is detailed in Note 5 to the unaudited financial statements in this report filed on Form 10-Q. The overall process is the same for both available-for-sale and held-to-maturity securities.

Notes to Financial Statements *(unaudited)* (continued)

The table below summarizes the Bank's available-for-sale securities for which an OTTI has been recognized during the life of the security as of June 30, 2009.

	At June 30, 2009			
(in thousands)	Unpaid Principal Balance	Amortized Cost	Net Unrealized Gains/ Losses	Fair Value
Other-than-temporarily impaired available-for-sale securities:				
Private label residential				
Prime	$ 909,068	$ 887,990	$ (354,443)	$ 533,547
Alt-A	1,197,425	1,143,986	(441,902)	702,084
Subprime	3,344	3,052	(1,605)	1,447
Private label HELOCs - Alt-A	3,963	3,961	(2,370)	1,591
Total other-than-temporarily impaired available-for-sale securities	$ 2,113,800	$ 2,038,989	$ (800,320)	$ 1,238,669
Available-for-sale MBS not other-than-temporarily impaired		29,029	(14,730)	14,299
Total available-for-sale MBS		$ 2,068,018	$ (815,050)	$ 1,252,968

The Bank did not record any credit losses on available-for-sale securities during the three and six months ended June 30, 2009. However, the Bank had recorded $39.3 million and $62.4 million of OTTI credit losses for the three and six months ended June 30, 2009, respectively, on the held-to-maturity securities which were subsequently transferred to available-for-sale.

The following table presents the rollforward of the amounts related to credit losses recognized during the life of the security for which a portion of the OTTI charges was recognized in other comprehensive loss. There were no credit losses in the first quarter of 2009.

(in thousands)	For the Three Months Ended June 30, 2009
Balance as of March 31, 2009	$ -
Additions:	
Credit losses on securities transferred from held-to-maturity	71,649
Balance as of June 30, 2009	$ 71,649

The remainder of the private label MBS available-for-sale securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, the decline is considered temporary as the Bank does not intend to sell these securities nor is it more likely than not the Bank would be required to sell the security before its anticipated recovery.

Because there is a continuing risk that further declines in the fair value of the Bank's private label MBS may occur and that the Bank may record additional material OTTI charges in future periods, the Bank's earnings and retained earnings and its ability to pay dividends and repurchase or redeem capital stock could be adversely affected.

Redemption Terms. As of June 30, 2009, the amortized cost and estimated fair value of the private label MBS in the Bank's available-for-sale securities portfolio were $2.1 billion and $1.3 billion, respectively. As of December 31, 2008, the balances were $34.2 million and $19.7 million, respectively. Contractual maturity for the MBS portfolio extends over a period exceeding ten years with the exception of one security. This security, with an amortized cost and an estimated fair value of $14.7 million and $13.4 million, respectively, has a maturity within

Notes to Financial Statements *(unaudited)* (continued)

five to ten years. At December 31, 2008, all MBS available-for-sale securities had a contractual maturity greater than ten years. Expected maturities will differ from contractual maturities because borrowers have the right to prepay obligations with or without call or prepayment fees.

The Bank's private label MBS classified as available-for-sale includes net discounts of $80.0 million and $2.9 million at June 30, 2009 and December 31, 2008, respectively. These amounts included discounts related to recognized credit losses during the life of the security of $71.6 million and $0.1 million as of June 30, 2009 and December 31, 2008, respectively. The increase was the result of the transfer of certain other-than-temporarily impaired securities from held-to-maturity.

Interest Rate Payment Terms. The following table details interest payment terms for available-for-sale MBS at June 30, 2009 and December 31, 2008.

(in thousands)	**June 30, 2009**	December 31, 2008
Amortized cost of available-for-sale MBS:		
Pass through securities:		
Fixed-rate	**$ 1,013,560**	$ -
Variable-rate	**67,155**	956
Collateralized mortgage obligations:		
Fixed-rate	**952,198**	-
Variable-rate	**35,105**	33,240
Total available-for-sale securities	**$ 2,068,018**	$ 34,196

Note: Certain MBS securities have a fixed-rate component for a specified period of time, then have a rate reset on a given date. When the rate is reset, the security is then considered variable-rate. Examples of this type of instrument would include securities supported by underlying 5/1, 7/1, and 10/1 hybrid adjustable-rate mortgages (ARMs). For purposes of the table above, these securities are reported as fixed-rate until the rate reset date is hit. At that point, the security is then considered to be variable-rate.

Note 5 – Held-to-Maturity Securities

The following tables present held-to-maturity securities as of June 30, 2009 and December 31, 2008.

	June 30, 2009					
(in thousands)	**Amortized Cost(1)**	**OTTI Recognized in OCI(2)**	**Carrying Value(3)**	**Gross Unrecognized Holding Gains(4)**	**Gross Unrecognized Holding Losses(4)**	**Estimated Fair Value**
Certificates of deposit(5)	**$ 4,550,000**	$ -	**$ 4,550,000**	**$ 1,166**	**$ (1,472)**	**$ 4,549,694**
Government-sponsored enterprises	**188,384**	-	**188,384**	**756**	-	**189,140**
State or local agency obligations	**627,466**	-	**627,466**	**18,922**	**(33,581)**	**612,807**
	5,365,850	-	**5,365,850**	**20,844**	**(35,053)**	**5,351,641**
MBS:						
U.S. agency	**634,166**	-	**634,166**	**2,011**	**(1,623)**	**634,554**
Government-sponsored enterprises	**1,564,698**	-	**1,564,698**	**43,699**	**(6,208)**	**1,602,189**
Private label MBS:						
Private label residential	**5,598,706**	**(121,117)**	**5,477,589**	**20,891**	**(1,064,428)**	**4,434,052**
Private label HELOC	**50,874**	-	**50,874**	-	**(31,150)**	**19,724**
Total private label MBS	**5,649,580**	**(121,117)**	**5,528,463**	**20,891**	**(1,095,578)**	**4,453,776**
Total MBS	**7,848,444**	**(121,117)**	**7,727,327**	**66,601**	**(1,103,409)**	**6,690,519**
Total held-to-maturity securities	**$13,214,294**	**$ (121,117)**	**$13,093,177**	**$ 87,445**	**$ (1,138,462)**	**$12,042,160**

Notes to Financial Statements *(unaudited)* (continued)

(in thousands)	December 31, 2008 Amortized Cost(1)	Gross Unrealized Gains(4)	Gross Unrealized Losses(4)	Estimated Fair Value
Certificates of deposit(5)	$ 2,700,000	$ 4,488	$ -	$ 2,704,488
Government-sponsored enterprises	954,953	6,217	-	961,170
State or local agency obligations	636,830	9,596	(61,563)	584,863
	4,291,783	20,301	(61,563)	4,250,521
MBS:				
U.S. agency	268,948	59	(760)	268,247
Government-sponsored enterprises	1,853,665	28,443	(19,846)	1,862,262
Private label	8,503,649	-	(2,059,338)	6,444,311
Total MBS	10,626,262	28,502	(2,079,944)	8,574,820
Total held-to-maturity securities	$ 14,918,045	$ 48,803	$ (2,141,507)	$ 12,825,341

Notes:

(1) Amortized cost includes adjustments made to the cost basis of an investment for accretion and/or amortization, collection of cash, and/or previous OTTI recognized in earnings (less any cumulative effect adjustments recognized in accordance with the transition provisions of FSP 115-2).

(2) Represents the noncredit portion of an OTTI recognized during the life of the security, less related accretion.

(3) In accordance with FSP 115-2, carrying value of held-to-maturity represents amortized cost after adjustment for noncredit related impairment recognized in other comprehensive loss.

(4) Net unrecognized holding gains/(losses) represent the difference between estimated fair value and carrying value, while gross unrealized gains/(losses) represent the difference between estimated fair value and amortized cost.

(5) Represents certificates of deposit that meet the definition of a security under SFAS 115.

Restricted securities related to the Shared Funding Program are classified as held-to-maturity and are included in private label residential MBS as of June 30, 2009 and private label MBS as of December 31, 2008. The restricted securities had an amortized cost of $39.2 million and $47.2 million as of June 30, 2009 and December 31, 2008, respectively.

The following tables summarize the held-to-maturity securities with unrealized losses as of June 30, 2009 and December 31, 2008. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

	June 30, 2009 **Less than 12 Months**		**Greater than 12 Months**		**Total**	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses(1)**
Certificates of deposit	**$1,448,528**	**$ (1,472)**	$ -	$ -	**$ 1,448,528**	**$ (1,472)**
State or local agency obligations	**27,595**	**(419)**	**237,878**	**(33,162)**	**265,473**	**(33,581)**
MBS:						
U.S. agency	**300,087**	**(1,610)**	**5,854**	**(13)**	**305,941**	**(1,623)**
Government-sponsored enterprises	**439,389**	**(4,058)**	**34,138**	**(2,150)**	**473,527**	**(6,208)**
Private label:						
Private label residential	**30,140**	**(4,110)**	**4,364,209**	**(1,161,012)**	**4,394,349**	**(1,165,122)**
Private label HELOC	-	-	**19,724**	**(31,150)**	**19,724**	**(31,150)**
Total private label MBS	**30,140**	**(4,110)**	**4,383,933**	**(1,192,162)**	**4,414,073**	**(1,196,272)**
Total MBS	**769,616**	**(9,778)**	**4,423,925**	**(1,194,325)**	**5,193,541**	**(1,204,103)**
Total	**$2,245,739**	**$ (11,669)**	**$4,661,803**	**$(1,227,487)**	**$ 6,907,542**	**$(1,239,156)**

Note:

(1) As a result of differences in the definitions of unrealized losses and unrecognized holding losses, total unrealized losses in the table above will not agree with gross unrecognized holding losses in the previous June 30, 2009 table.